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ABSTRACT

This report presents the background materials for a 1991 conference of the National Puerto Rican Coalition on labor force participation issues affecting Puerto Ricans. The first of three sections, "Shaping Tomorrow's Workforce: A Leadership Agenda for the 90's," calls for an effort to unite a fragmented collection of programs for workforce development with a coherent strategy through a policy framework involving public/private partnership, coordinated service delivery, accountability and decentralized administration; and a new role for the Federal Government. Several steps for federal action and leadership are offered. The second section, "A Unified State Plan for New Jersey's Workforce Readiness System," describes the efforts that New Jersey has undertaken, led by Governor J. Florio, to improve the way that the state educates and trains its workforce by aiming to increase the skill level and the competitiveness of the state's workers and employers based on life-long learning needs, human resource needs, workforce readiness, and system efficiency and accountability. The third section, "Hispanics and Wage Inequality in New York City," explains the factors contributing to inequality between the wages of Hispanic Americans and non-Hispanic American Whites, which are primarily labor market segmentation due to underrepresentation in control or professional and technical subsegments. Included are 8 tables, 31 references, and notes on the contributors. (JB)

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National Puerto Rican Coalition, Inc.

The National Puerto Rican Coalition, Inc., (NPRC) was founded in 1977 to further the social, economic, and political well-being of Puerto Ricans throughout the United States and Puerto Rico. Based in Washington, D.C., NPRC is a nonprofit, tax-exempt association providing a presence and voice for all Puerto Ricans at the national level.

As a membership association, NPRC has access to grass-roots views of Puerto Rican needs, problems, and aspirations. NPRC conveys these views to decision makers through its contacts with the media, leading institutions, Congress and the Executive Branch, and individuals in the public and private sectors.

To further its mission, NPRC has developed programs in three broad areas. Programs in advocacy, research, and policy analysis are carried out primarily in Washington, D.C. Programs to enhance the image of Puerto Ricans in the United States, such as the NPRC Life Achievement Awards, are carried out nationally. Partnership projects in community economic development are carried out locally.

The goal of all programs is to influence national policies as they impact on the Puerto Rican community.

Workforce Readiness and Wage Inequality: Public/Private Perspectives

Background materials for presentations made at the
workshop on employment conducted at the
Annual Conference and Membership Meeting of the
National Puerto Rican Coalition on November 15, 1991.

JULY 1992

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Editor's Note: Although no editing of content was done to the reprinted papers contained in this report, some minor changes were made to standardize punctuation, spelling, and usage throughout the document. Any insertions used for clarification are contained in brackets.

Foreword

As a national advocate for the Puerto Rican community, NPRC has made a commitment to work with all sectors of society, all organizations, all levels of government, and all components of the private sector to develop effective strategies to build a healthy society. A major programmatic focus of this commitment is community economic development. One method of implementing this focus is through partnerships between the public and private sectors, nonprofit intermediaries, and community-based organizations.

NPRC has dealt with the issue of partnerships over the years and one of the key lessons of that experience is that for partnerships to work there must be an issue or issues which potential partners agree is important. An effective partnership also brings together groups that accept the fact that they have something to gain by joining. Partnerships do not work if one partner does it all and the other just receives the benefits.

The materials in this report provide information and analysis that community-based organizations and community leaders can use to assess partnership possibilities at the local level around an issue of vital importance to Puerto Ricans. The models presented here should be of interest to policy makers as well.

NPRC believes that employment and job training are key to reducing poverty and to rebuilding Puerto Rican communities in the U.S. mainland and Puerto Rico. Federal involvement in efforts to prepare the workforce of the next century must begin now. In addition, enforcement of antidiscrimination laws must be stepped up to ensure that workforce readiness does not become an empty concept.

Local efforts cannot wait for the federal government. Many Puerto Rican organizations are already doing their part locally, but clearly more needs to be done. Private/public partnerships represent a promising avenue for continued efforts. NPRC is hopeful that this report will contribute to the development of critical initiatives along those lines.

Louis Núñez
President

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Introduction

In November 1991, the National Puerto Rican Coalition held its 11th Annual Conference and Membership Meeting under the theme "Implementing the Agenda for the 1990s: Effective Strategies for Community Development." The conference highlighted policy issues, activities, and organizations dealing with the renewal and revitalization of Puerto Rican communities to illustrate what can be done when holistic approaches that include linkages and partnerships between corporations, community-based organizations, and government agencies are established.

This report brings to a wider audience the materials that provided the basis for presentations made at the Conference's Employment Workshop held on November 15, 1991. The workshop was designed to offer a review of labor force participation issues affecting Puerto Ricans and to examine training and employment opportunities.

With this in mind, NPRC invited representatives of government, academia, and the private sector to explore these issues and to identify policy alternatives. The workshop discussion was wide-ranging and so are the background materials offered here. It is NPRC's hope that they can further the discussion of employment issues and the development of workforce readiness models at the local level.

The first paper in this report is a proposal for a national workforce development strategy, drafted by the National Alliance of Business (NAB), in which a new role for the federal government is suggested. This proposal is followed by a plan, prepared by the New Jersey State Employment and Training Commission (SETC) and recently approved by the governor of the state, Jim Florio, which looks at the development of collaborative approaches and public/private initiatives to workforce education and training. Appropriately, the report ends with an analysis by Edwin Meléndez, a labor economist at the Massachusetts Institute of Technology, of the factors that determine wage differentials among Hispanics. Focused on New York City, which hosts the largest concentration of Puerto Ricans in the United States, this analysis examines the relative effect of discrimination, among other variables, on wage inequality.

The emphasis of the NAB paper is on private/public initiatives to prepare individuals for work and to help them find jobs. NAB advocates for a new role for the federal government in the development of these partnerships in which Washington exerts leadership rather than administrative control. Of particular importance for Puerto Ricans is NAB's call for equity in the distribution of employment opportunities. This is a goal the federal government is best equipped to accomplish given the wider scope of its jurisdiction and its ability to redistribute and target resources.

The New Jersey Plan also emphasizes these partnerships, in this case between private businesses and state governments, to upgrade the skills of those already in the workforce. This is made necessary by the fact that 75% of those in the American workforce of the year 2000 are in the workforce today. Therefore, work-based education programs must be made available to those who need now or will need in the future to upgrade their skills.

The central premise of both the NAB proposal and New Jersey's Plan is that employment is determined by human capital. Therefore, their policy recommendations are driven by an emphasis on education, training, and a consumer-based approach.

Both documents decry the duplication of efforts and the lack of coordination between programs. None provides an analysis of why this is so. A number of factors are only suggested: programs might be similar in design but different in their missions; they can serve diverse political and institutional needs. NAB is especially cautious, however, in its call for an end to duplication. Collaboration, according to the proposal, must take place within a pluralistic structure because no one agency can provide all services and maintain a high quality of delivery.

The New Jersey Plan gives more weight than NAB's proposal to the role of consumer representation in policy development, and with good reason. The Plan specifically declares that "No objective will be higher on the Commission's agenda than engaging all citizens of New Jersey in a dialogue about how the workforce readiness system affects their economic future." This is a point that Puerto Ricans in the state should take very seriously. Presently, the SETC has only one Puerto Rican representative, or 3% of its total members. In New Jersey, however, Puerto Ricans are 4% of the state's population but 15% of the total population in Newark, 14% in Jersey City, and 20% in Paterson. Clearly, more Puerto Rican representation is needed, especially in the ongoing process of implementation.

Two additional features of the New Jersey Plan are worth emphasizing. One is its acknowledgement that work readiness efforts must go in tandem with job creation. High skills must be matched by high wages and this must be done without excluding small- and medium-sized businesses. Secondly, it is significant that the Commission acknowledges the need to eliminate sexual stereotyping, a form of employment discrimination.

To the extent that workforce readiness is a function of supply-side factors such as education and training, New Jersey's and NAB's human capital approach is appropriate and should suffice. Yet Edwin Meléndez's paper convincingly argues that demand-side factors such as hiring, promotion, and employment practices must also be considered. When these come into play a different set of policies is needed.

Meléndez's paper focuses on the factors that determine wage inequalities rather than workforce readiness. Yet his analysis suggests an important connection. He shows that the three major factors explaining wage differentials are (1) labor market segmentation, or the position workers occupy within the labor market (most of the differential at the low end of the wage scale is attributable to underrepresentation in positions that pay higher wages); (2) educational level, which explains between one-quarter and one-half of wage differences of Hispanic men; and (3) discrimination, which in his analysis accounts for one-third of the wage gap for Puerto Rican men.

The significance of this analysis for Puerto Ricans should be clear: a workforce readiness strategy that focuses on supply-side factors holds no guarantee against demand-side effects such as labor market segmentation and discrimination. The New Jersey Plan only hints at the role of demand-side factors and the NAB proposal ignores them completely. Yet affirmative action and pay equity policies are in the best interests, not just of Puerto Ricans, but of all the parties involved.

The National Puerto Rican Coalition does not subscribe to the totality of views contained in this report. In particular, NPRC takes exception with NAB's views on welfare and its assessment of the Job Training Partnership Act (JTPA) experiment. These caveats aside, NPRC recognizes the importance of a supply-side workforce development strategy while stressing the need for approaches that also incorporate the demand-side. Local Puerto Rican organizations and community leaders must take note of ongoing developments (see Notes on Contributors) to ensure that models are critically analyzed, modified, and implemented with a view toward Puerto Rican interests and needs.

José E. Cruz
Director of Research Advocacy and Policy Analysis

Shaping Tomorrow's Workforce

A Leadership Agenda for the 90's

This document was originally published in 1988 by the National Alliance of Business and was used as a basis for comments made by Arnold S. Richter, Manager of NAB's Atlantic Regional Office, at the workshop on employment held at NPRC's 1991 Annual Conference and Membership Meeting. It is reprinted with permission.

Executive Summary

Increased international competition, rapid technological innovation, and profound demographic changes have converged in America to create the urgent need for a skilled and capable workforce.

Over the years, the nation has assembled an extensive, but unintegrated, workforce development system, which includes a wide range of public and private providers of work-related education and training. Uniting this fragmented collection of programs with a coherent strategy is a major challenge.

Emerging Policy Framework

Although state economic development, education, welfare, job training, and employment security systems all play a part in preparing individuals for work and helping them find jobs, each of these systems has its own independent mission, structure, and policies. There is little interaction between related public programs, and little connection between these programs and the private sector. Often, the result is fragmentation and duplication.

In many places, workforce development programs are being reorganized to prepare workers for a rapidly changing and more competitive economic environment. In the process, a policy framework is emerging that can guide continuing reform efforts.

- ***Public/Private Partnership:*** Since the public and private sectors have a common interest in effective work preparation, and since the task is too large and complex for either to perform alone, they need to work together to achieve better results. Historically, public and private workforce development programs have largely operated in two separate worlds, with different policies, different structures, different cultures, and little interaction between them. In order for public programs to become more responsive to the needs of the economy, this isolation must be replaced with close cooperation.

- ***Coordinated Service Delivery:*** Given their common interest in building a quality workforce, the many public and private deliverers of education, training, and employment services should be organized into a unified and coherent service delivery system. The current fragmented system too often leads to duplication of effort and the waste of scarce public resources. In addition, the lack of interaction among the various service providers limits individual access to needed services.

- ***Program Accountability:*** Education, training, and employment programs must be attuned to the changing economy to prepare individuals for work. An emerging workforce development strategy is to hold education, training, and employment programs accountable for the quality of the services they provide to individuals and to employers—the "consumers" of their services. Holding service providers accountable for their success or failure and using a competitive process to select service providers allows policy makers to improve the efficiency and effectiveness of education, training, and employment efforts.

- ***Decentralized Administration:*** The reorganization and redirection of education, training, and employment programs require new roles for the various levels of government and for the private sector. A dynamic economy demands a flexible workforce development system, and such a system is best administered at the state and local levels. Federal programs that bypass the states are unlikely to leverage state financial and organizational resources, and are likely to lead to further duplication of effort and program fragmentation. Decentralized administration that vests state and local governments with management responsibility is key to achieving greater flexibility and program coordination.

New Federal Role

The implementation of a demand-driven, decentralized, and flexible workforce development strategy requires a new role for the federal government. The appropriate federal role is neither to get "in the way" of state and local initiatives, nor stay "out of the way," but to "lead the way" by redirecting, reorganizing, and expanding workforce development efforts across the nation. The evolving model for federal action provides federal policy "leadership," rather than federal administrative "control." Accordingly, the federal government should:

- ***Build a Federal Partnership:*** Consistent policies for federally funded workforce development programs are indispensable to putting the pieces together at the state and local levels. Consequently, there is a need for a partnership institution at the federal level to coordinate policies across a broad range of federal programs and institutions.

- ***Support State Reorganization Efforts:*** The states need federal leadership to guide and support their reorganization of workforce development systems. Because the federal government has little control over many of the key components of state workforce development systems, federal efforts should focus on research, demonstrations, evaluation, sharing of best practices, and technical assistance.

- ***Improve State and Local Coordination:*** Federal leadership is needed to strengthen joint planning at the state and local levels. Expanding the role and authority of existing partnership institutions could enhance institutional reform efforts at no cost to state and local flexibility.

- ***Ensure Program Accountability:*** Federal leadership is needed to develop consistent and compatible performance standards that set goals for all national education, training, and employment programs and ensure accountability for the expenditure of federal funds.

- ***Develop Flexible Targeted Programs:*** Since targeted federal programs play a crucial role in promoting equity in the distribution of employment opportunities across society, federal legislation should continue to target resources to special population groups, but allow states and localities to retain substantial flexibility to design and operate programs tailored to their needs.

- ***Leverage Additional Resources:*** It is neither possible nor necessary for the federal government to shoulder the entire burden for expansion of state workforce development systems. Federal resources should be invested so that they leverage additional state, local, and private resources.

Next Steps

It is inevitable that the nation's workforce development policies will undergo scrutiny and possibly revision with a new Administration and a new Congress. Federal leadership has already made substantial progress in reforming some workforce development programs. Continued progress requires steady federal leadership to improve and expand the reform efforts now under way. In every program area, it is important to consider next steps for federal action.

- ***Job Training for the Disadvantaged:*** The federal government should increase funding for JTPA [Job Training Partnership Act] programs leveraging additional resources from state, local, and private partners. Congress and the Administration should conduct a thorough review of progress under JTPA and make necessary legislative and regulatory adjustments to improve the effectiveness of JTPA programs. In addition, the federal government should explore new approaches and commit additional resources to reducing adult illiteracy and school dropout rates. Specifically, federal leadership should encourage the use of summer youth program funds to combine classroom instruction with work experience for disadvantaged youth on a year-round basis.

- ***Vocational Education:*** Reauthorization of the Carl Perkins Act during 1989 provides an opportunity to determine whether the federal goal of improving program quality is being met. Federal leadership should broaden the focus of vocational education programs to ensure that they become viable alternatives to academic programs, providing the literacy, math, reasoning, communication, and problem-solving skills needed in the workplace. In addition, federal leadership could help states develop better formal advisory structures that utilize the occupational expertise of the private sector.

- ***Welfare:*** The federal government should capitalize on new federal legislation to redirect state welfare programs. The federal government should significantly expand its technical assistance to states and local communities to encourage use of the private industry councils as a mechanism to promote program coordination and private sector involvement. Continued federal research, demonstrations, evaluation, and sharing of best practices are necessary to support ongoing state experimentation.

- ***Worker Adjustment:*** Effective implementation of new worker adjustment legislation requires a significant increase in federal technical assistance to public officials and partnership institutions responsible for planning, operating, and overseeing the expansion of services to dislocated workers. Congress should increase federal funding for these programs as state administrative capacity develops, and should consider new methods to leverage additional state and private resources for program expansion. In addition, the federal government should expand research and demonstration efforts to determine effective methods of retraining and upgrading the skills of existing workers to prevent dislocation, including experimenting with methods to leverage additional private sector resources to support these activities.

- ***Employment Service:*** The Administration and Congress should determine whether there is a distinct federal role for the public employment service. Ensuing legislation should either clearly define current expectations, refocus the employment service along new lines, or transfer all administrative and funding responsibility to the states. The federal government should provide technical assistance to the employment service, state councils, and private industry councils to carry out their statutory responsibilities and to improve coordination between the employment service and other work-related programs.

- ***Unemployment Insurance:*** The federal government should continue research and demonstration efforts to identify which unemployment insurance recipients are likely to be permanently unemployed and assist them to reenter the workforce. These activities should be carefully evaluated and the findings shared widely among the states. The federal government should explore new ways to streamline referral of unemployment insurance recipients to worker adjustment programs funded by JTPA. In addition, the federal government should study whether unemployment insurance trust funds could be used to finance remediation and retraining services without affecting the solvency of the funds. If the trust funds cannot support such activity, alternatives such as general revenues, a shared employer-employee tax, or tax incentives should be considered.

- ***Labor Market Information:*** Federal leadership in the development and coordination of state and local labor market information should be greatly expanded. The Labor Department should provide more direct training and technical assistance to states to promote the development of their occupational information systems and should consider the creation of a special unit dedicated to this task. The Bureau of Labor Statistics (BLS) should continue to assist states in promoting the standardization of definitions and ensuring the integrity of information produced. Congress should provide the necessary funding to carry out these tasks.

- ***Elementary and Secondary Education:*** The federal government should expand its early intervention efforts. In addition, new federal initiatives are needed to motivate disadvantaged and disaffected youth and improve their transition from school to work. The federal government should improve summer youth programs and vocational education, investigate broader application of apprenticeship-type approaches that combine classroom and on-the-job training, and evaluate career exploration programs. The federal government should experiment with and closely evaluate the role of business/education partnerships in improving the school-to-work transition for youth.

These next steps offer a coherent, comprehensive American response to the challenges of international competition, technological innovation, and changing demographics. Incorporating the principles of public/private partnership, coordinated service delivery, program accountability, and decentralized administration, this workforce development strategy holds much promise for the future of the nation's economy and for continued social progress. With strong leadership from federal, state, and local governments and from the private sector, America can move aggressively forward to meet the challenges of the 1990s.

Shaping Tomorrow's Workforce

A Leadership Agenda for the 90's

I. National Workforce Development Strategy

The quality of the American workforce is a critical determinant of continued national economic and social progress. As other industrial nations gain access to the same physical and financial resources that the United States has long enjoyed, and as technologies move more easily across international boundaries, continued economic growth depends increasingly on the superior quality of the nation's human resources—the education, skills, flexibility, and motivation of American workers. There is growing concern that existing institutions cannot effectively meet this challenge without substantial retooling and redirection.

Over the years, the nation has assembled an extensive, but unintegrated, workforce development system. In the mainstream of this system are private employers, who shoulder the main burden for direct workforce development through classroom and on-the-job training. Supplementing these efforts is a wide range of public and private providers of work-related education and training—including the public schools, vocational education institutions, apprenticeship programs, job training programs, and two-year and four-year colleges and universities. In addition, a variety of second-chance institutions help individuals who fail in or have been failed by mainstream institutions adapt to the demands of prospective employers. Both the mainstream and the second-chance institutions are complemented by a variety of public and private intermediaries that facilitate the movement of workers into and between jobs.

Although many public and private institutions provide similar, or even identical, education, training, or employment services, there is too little interaction among them. Most of these institutions do not view coordination as a high priority. Consequently, there is a compelling need to redirect the activities of existing education, training, and employment programs in order to focus on preparing individuals for competitive employment and to unify these programs into a more integrated policy and organizational framework with building a quality workforce as its central objective.

Economic and social developments in recent years have greatly increased the risks of muddling along with a fragmented workforce development strategy.

International Competition

Perhaps the most significant development is the rise of international competition. Over the past decade, the rest of the world has gradually caught up to—and in many cases passed—the United States in basic manufacturing. Many American corporations simply cannot compete against nations where workers are paid a few dollars a day. In order for its standard of living to continue to grow, this nation needs to shift from an economy dependent on assembly line manufacturing in large, stable firms to a flexible economy based on knowledge and technological innovation.

Increasingly, America's future depends more on brains and less on manual labor. In a world of low-wage labor, this nation's competitive advantage lies in its ability to create research breakthroughs, to translate those breakthroughs into new products and processes, and to manufacture the results using a combination of technological sophistication and skilled labor that is still nascent in most other nations. America's future, in other words, depends to a great extent on the superior quality of its workforce.

Structural Mismatches

Another development is a growing mismatch between workplace needs and workforce capabilities. This mismatch is reflected in high levels of structural unemployment among some groups in the population who have not shared in the benefits of economic expansion. Many of these unemployed are experienced workers who have been unable to keep pace with rising skill requirements and the increasing rate of technological change. Others are new entrants to the labor market who lack even the basic skills needed for employment. In addition, many workers remain trapped in central cities or depressed communities while the jobs have moved elsewhere.

Changing demographics could exacerbate this mismatch. A decade ago, employers could fill job vacancies from a large supply of young, entry level workers. A drop in the birth rate that began in the early 1960s, however, means that fewer young people are now available for work. A growing percentage of new entrants into the workforce for the balance of this century are likely to be black, immigrant, Hispanic, from single parent families, or poor.

The mainstream institutions that provide work-related training have not kept pace with the changing skill requirements of a dynamic economy. There must be a more systematic effort to ensure that new workforce entrants receive the preparation they need to become successful in the competitive labor market. The nation needs new policies to help existing workers adapt to new technologies, learn new skills, and increase their geographic mobility.

Attitudes Toward Public Dependency

A third development involves changing social attitudes toward public dependency. For the past half century, the government has provided cash, food, and medical benefits to families of individuals who could not find jobs. Antipoverty programs have required little effort on the part of the dependent individual to achieve self-sufficiency. Today, however, the public increasingly favors giving the poor the tools they need to become economically self-sufficient. Social responsibility for the nation's poor citizens is now balanced more often with the responsibility of individuals to support themselves and their families.

The challenge is to find new ways to expand economic opportunities for the nation's citizens that promote overall economic efficiency. A new consensus among liberals and conservatives holds that the most effective way to fight poverty is not through income transfers, but through education, training, and employment. Similarly, the most effective response to permanent job loss is not unemployment insurance, but retraining and reemployment. In short, education, training, and employment activities are the key elements in efforts to reduce public dependency and promote economic self-sufficiency for dependent individuals and their families.

Business Involvement in JTPA

A 1985 National Alliance of Business survey of private industry council [PIC] chairs and public program administrators provides some valuable insights into how well the JTPA experiment is working. Key findings include:

- Ninety percent of the chairs and administrators rated the relations between public and private sector partners as "good" or "excellent."

- PIC chairs volunteered for various reasons, but most stay involved because they believe in the public/private partnership concept and recognize the need for a training system that serves the needs of low-income individuals and the long-term unemployed.

- The level of business involvement in the PIC has been sustained or has increased over the past two years. PIC business member turnover remains low, and finding replacements is not difficult.

- PIC members are generally involved in a wide variety of activities including marketing JTPA, involving their own companies in JTPA, and participating in on-site program monitoring. Almost half of PIC chairs' companies train JTPA participants. Half of the PIC chairs' companies hire JTPA graduates.

- Two-thirds of local programs receive donations from the business community–including money, equipment, office/classroom space, and loaned personnel. A third of these say that such contributions are on the rise.

- Almost 90% of PIC chairs feel that employers are more willing to participate in JTPA as a result of business involvement. About 93% reported that business participation on the PIC improves program operations primarily by making them more results-oriented. Slightly more than three-quarters of the chairs felt that business involvement results in increased job placements, better employment opportunities, and higher wages at placement for participants.

II. New Policy Framework Emerging

Given the growing importance of workforce quality to the nation, it is becoming clear that the current ad hoc collection of education, training, and employment programs is inadequate to today's challenges.

Although state economic development, education, welfare, job training, and employment security systems all play a part in preparing individuals for work and helping them find jobs, each of these systems has its own independent mission, structure, and policies. The result is fragmentation and duplication. There is little interaction between related public programs and little connection between these programs and the private sector. In addition, too many of these programs have responded more to the needs of the institutions that administer them and the public officials that support them than the needs of the individuals they are designed to serve.

The nation needs an integrated, coherent, long-term strategy to guide its expanding workforce development efforts. Farsighted leaders at all levels of government have begun the task of reforming existing institutions to make them more responsive to the needs of a changing economy. In the process, a common policy framework is emerging to guide continuing reform efforts.

Public/Private Partnership

Since the public and private sectors have a common interest in effective work preparation, and since the task is too large and complex for either to perform alone, they need to work together at all levels of government to achieve better results. Historically, public and private workforce development programs have largely operated in two separate worlds with different policies, different structures, different cultures, and little interaction between them. This isolation must be replaced with close cooperation.

Although less is known about them, private workforce development activities overwhelm in scope and size their counterparts in the public sector. This private system of work-related education and training includes employer-sponsored classroom and on-the-job training, joint labor-management apprenticeship and retraining programs, specialized training and placement services offered by private organizations, and individual continuous learning activities. Given their common goals and the significant overlap in the services they provide, there are obvious benefits to the effective coordination of public and private work-preparation efforts.

Public programs benefit when the private sector shares information about the skills individuals need to be productive employees and the training methods that are most effective. The private sector benefits when the public sector turns out an educated and skilled applicant pool that can quickly adapt to the demands of the workplace. By coordinating public and private efforts, the needs of both individuals and employers are better met. For many years, vocational education, job training, and employment service programs have involved the private sector in an advisory capacity, but only recently and on a limited basis has the private sector become a partner in policy decisions. Currently, public/private partnerships are being developed to plan and carry out reforms in public education.

Partnership Experiment. For the past several years, the public and private sectors have shared responsibility for the planning, design, and oversight of job training programs. Inspired by the success of joint public/private economic development initiatives, Congress established a new institutional arrangement at the local level–the private industry council–to bring together public and private sector representatives to identify who should be served by public job training programs, determine which services should be provided, and decide how they should be delivered.

By granting equal authority to local elected officials and to the private sector, the Job Training Partnership Act (JTPA) introduced new checks and balances into the local political scene. This innovation was designed to strengthen the influence of labor market and participant needs in local program decisions. In addition, it was hoped that the involvement of the private sector could provide essential continuity to pursue long-term objectives despite changes in political leadership.

The JTPA experiment with this unique partnership arrangement shows great promise. Most local communities report only a minimum amount of friction, and mutual trust and understanding are slowly being built. Private sector interest and involvement are being sustained as private sector representatives gain experience and grow more comfortable with their new responsibilities.

Coordinated Service Delivery

Given their common interest in building a quality workforce, the many public and private deliverers of education, training, and employment services should be organized into a unified and coherent service delivery system. The current fragmented system often leads to duplication of effort and the waste of scarce public resources. In addition, the lack of interaction among the various service providers limits individual access to needed services.

Currently, there is little logic to the delivery of education, training, and employment services. Individuals or employers needing assistance must randomly choose from many different agencies. Often, many institutions deliver the same or similar services, but with considerable variation in quality. In some communities, for example, job search assistance is offered by the employment service, the welfare agency, the food stamp program, vocational education institutions, vocational rehabilitation programs, job training programs, and a number of private agencies.

At the same time, needed services may not be available from the program an individual randomly enters. Often, individuals are limited to the services offered by the agency selected, even if what they need the most is offered by a different agency across town, even down the street.

Modern technology, however, could eliminate this duplication and fragmentation. The same technology that gathers information for management purposes could be put to work to transfer information and clients among many different parts of a pluralistic workforce development system.

Organized properly, many different services currently offered by existing public and private agencies could be orchestrated to streamline service delivery. Individuals could enter the system through any participating public or private agency, following a uniform intake and assessment process. This could be performed electronically so that individuals would not need to shuttle between different agencies or offices. Participants could then progress through a logical sequence of services at their own pace, guided by any of the participating agencies.

Pilot projects are now under way in a number of areas to develop common intake forms and procedures across different agencies, thereby eliminating some of the barriers to interagency referrals and potentially increasing the access clients have to a broader range of services. Other experiments feature "one-stop shopping," where two or more agencies offer similar or complementary services from the same location.

Despite the promise these experiments hold for increasing access and reducing duplication in the delivery of services, the complete integration of all education, training, and employment services into one workforce development "super agency" is neither probable nor desirable. The range of services is too broad for any one agency to handle and still maintain high standards of quality and performance. Specialization and competition between service providers are necessary to preserve quality. Moreover, it is unrealistic to expect that agency officials would support the dismantling of organizations they have worked hard to build. Consequently, it is necessary to maintain the current pluralistic structure of the workforce development system, but find methods to coordinate activities better.

Local Coordination. The private industry councils created by JTPA have begun to play a central role in identifying community-wide goals, setting priorities, and developing plans to meet them. With their broad public and private membership base–including business volunteers and representatives from education, welfare, economic development, the employment service, organized labor, and community organizations–and their partnership arrangement with elected officials, the private industry councils not only have the potential to forge consensus among key local actors, but they also have a sufficient concentration of power for effective action.

There are still a number of obstacles to be overcome before the private industry councils can realize their full potential. Some of the councils have narrowly restricted their role to second-guessing the management decisions of public officials administering JTPA programs, rather than performing the broader policy, planning, and oversight roles envisioned in the legislation. Where the councils have moved beyond the administrative concerns of JTPA and devoted greater attention to the broader system-building objectives of the legislation, their ability to leverage change in other programs has been circumscribed by the limited autonomy of local program staff in highly centralized state agencies, which often place greater value on compliance with internal directives than on responsiveness to local needs.

State-Level Coordination. JTPA also prescribed joint planning at the state level to coordinate a variety of state programs—state education agencies (including vocational education), welfare agencies, the employment service, rehabilitation agencies, postsecondary institutions, economic development agencies, and others that the governor determines have a direct interest in workforce development within the state.

A growing number of states use the JTPA-mandated state job training plan to map out a comprehensive state workforce development strategy. Most states, however, still treat this requirement as a paper exercise that must be performed in order to obtain their share of federal JTPA funds. State-level strategic planning is a new concept, and many states will not appreciate the benefits of such an effort until they see the differential growth rates of neighboring states. Planning has always been a weak link in workforce development programs, and immediate improvement is unlikely just because responsibility has moved from the federal level to the state level, where experience in this area is relatively limited.

To organize this planning process, JTPA created a state-level counterpart to the private industry council—the state job training coordinating council. In some cases the state job training councils have played an important role in promoting coordination between related state programs. But, for the most part, governors have not used them effectively. Like the private industry councils at the local level, it has taken some time for the state councils to gain experience and develop working relationships among council members and between the council and other state institutions. Many of the councils

Local Program Coordination

A 1987 NAB survey on local-level coordination between JTPA and related programs found:

On the positive side:

- Three out of four PIC chairs report that coordination overall is increasing. Most coordination involves specific working arrangements related to client referral and the delivery of training services.

- The majority of both PIC chairs and SDA administrators report "good" or "excellent" relationships with the employment service, vocational education, welfare, and economic development agencies. JTPA coordination is extensive with vocational education and the employment service.

- Attempts in several states to merge employment service and JTPA planning have been successful and are beginning to set an example for other states. State welfare-to-work initiatives are also experimenting with new administrative arrangements to coordinate welfare and JTPA services.

On the negative side, the two leading factors reported as inhibiting coordination in each program are:

- Employment Service: (1) Turf competition for control of funds and job placement credits; (2) An ES bureaucracy cited as inflexible, cumbersome, and overly controlled by the state.

- Vocational Education: (1) Not sufficiently performance oriented; (2) Inflexible in scheduling classes and offering training suited for those not fitting the traditional student profile.

- Welfare: (1) Clients lose benefits, often including medical coverage, upon enrolling in training or taking a job; (2) Welfare personnel perceived to lack interest in encouraging clients to participate in training or seek employment.

New Jersey's Employment and Training Commission

New Jersey is in the process of reconstituting its state job training coordinating council as an independent State Employment and Training Commission to improve overall direction to workforce development programs in the state. The Commission will:

- Be an independent body, with its own budget and executive director, and will report directly and exclusively to the governor through its chairperson;
- Consolidate existing employment-related advisory bodies that have been established to promote interaction between the public and private sectors and among the agencies of state government;
- Be empowered to examine and recommend improvements in all employment-related programs, which will be required to submit their plans to the Commission for review prior to implementation;
- Be codified in state law, including a requirement that half of its members and its chair be from the business sector;
- Not have responsibility for day-to-day decision making or the operation of programs, which will remain the province of state departments that administer them.

have tended to become lost among the host of other advisory bodies at the state level. Too often, a narrow focus on JTPA programs has limited the role of the state council as a catalyst for broader institutional reform.

Several states are well ahead of the rest in developing their state councils into broad-based workforce development policy and planning bodies. A number of states are also experimenting with alternative administrative arrangements—such as the creation of independent employment and training departments, cabinet-level coordinating committees, governor's task forces, or employment and training policy "czars" to achieve more effective program coordination.

Program Accountability

Education, training, and employment programs must respond to the needs of the changing economy to effectively prepare individuals for work. An emerging trend in workforce development is to hold education, training, and employment providers accountable for the quality of the services they provide to individuals and to employers—the "consumers" of their services. Holding service providers accountable for their success or failure and using a competitive process for selecting providers allows policy makers to improve the efficiency and effectiveness of education, training, and employment efforts.

JTPA programs are experimenting with new methods to increase accountability for the expenditure of public funds. These programs operate under a flexible schedule of expected program outcomes, or performance standards. JTPA programs that meet or exceed their goals are rewarded, while those that fail to do so are offered technical assistance or ultimately sanctioned. Such a flexible system allows JTPA agencies to broker services from a wide range of existing service providers that must consistently demonstrate their capacity to meet the standards set by the JTPA program. Clients and employers benefit as the market weeds out the providers of poor quality services.

Other programs have begun to adopt similar methods to increase accountability. For example, new federal welfare reform legislation requires the development of performance standards for state welfare-to-work programs. Similarly, education reformers are seeking new methods to hold public schools accountable for the quality of education their students receive. Although much developmental work remains to be done in this area, the success of education, training, and employment programs will increasingly be judged more by their outcomes than their ability to process paperwork in a timely manner.

Decentralized Administration

The reorganization and redirection of education, training, and employment programs require new roles for the various levels of government and the private sector. A more dynamic economy demands a flexible workforce development system, and such a system is best managed at the state and local levels. Federal programs that bypass the states are unlikely to leverage organizational and financial resources. Bypassing the states can also lead to further duplication and fragmentation. Decentralized administration that vests state and local governments with management responsibility is key to achieving greater flexibility and coordination.

State Leadership. The states are assuming the lead role in administering and financing key components of the workforce development system—including economic development, education, job training, welfare, the employment service, and unemployment insurance. Neither the federal government nor local governments exercise the same degree of administrative control over these programs. In addition, since labor market boundaries generally overlap a number of local political jurisdictions, the state is the nearest level of government with jurisdiction over entire labor market areas.

As states have grown more sophisticated in pursuing economic development objectives, many have recognized the need to reform existing education, training, and employment programs so they can better complement economic development efforts. Flexible federal legislation enacted in the early 1980s further encouraged states to develop innovative welfare-to-work, job training, and dislocated worker programs. As a result, the states have begun to provide crucial leadership to the direction and structure of the workforce development system.

The commitment of state resources for expansion also reflects state leadership to the workforce development system. Almost every state now funds customized training programs as an inducement for businesses to locate within state boundaries. State-supported community colleges have shifted their focus markedly toward specific vocational training and have expanded rapidly in recent years. In addition, many states are experimenting with state "skills corporations" designed to assist employers and individuals with their retraining needs. These skills corporations are jointly funded by

State and Local Investments in Workforce Development

Vocational Education: In FY 1985, state and local governments spent $9 billion on vocational education. This represents 13 times the federal expenditure of $0.7 billion for that year.

Adult Education: From FY 1984 to FY 1986 total state and local expenditures for adult education rose from $197 million to $320 million (a 63% increase), while federal expenditures rose from $95 million to $102 million (7%).

Elementary and Secondary Education: In 1985 state and local expenditures totaled $127 billion, while the federal government contributed $9 billion (7% of the total).

Community Colleges: In 1986 state and local governments invested $12 billion in community colleges, which are growing faster than any other educational institution.

State-Funded Retraining: A 1986 National Governors' Association report describes 17 state-funded retraining programs, funded at the level of approximately $137 million annually. Federal dislocated worker expenditures totaled $188 million in 1986. More recently, some states have appropriated additional funds. For example, New York has appropriated $1.5 million to fund three dislocated worker centers.

Employment Security: In 1986 states supplemented federal general revenue and employer payroll taxes with nearly $100 million in state general revenues to fund employment service, unemployment insurance, and labor market information programs.

Welfare to Work: The General Accounting Office reports that 1985 state and local expenditures for these programs totaled $68 million, compared to $196 million in federal expenditures. State investments have expanded significantly since that time. For example, in California alone, the 1988-1989 budget for the Greater Avenues for Independence (GAIN) program includes $214 million in state general revenues.

state general revenues and employer contributions. Many state legislatures have enacted legislation that expands employment opportunities for the poor and disadvantaged.

State-Local Partnership. If the main purpose of public education, training, and employment programs is to provide a bridge to the economic mainstream, these programs must be closely attuned to the needs of individuals and employers in local labor markets. Since labor markets vary considerably, it is impossible for federal, or even state, lawmakers to design a program model that could be equally effective in every labor market area. Sub-state variations in economic conditions, labor force needs and characteristics, political leadership, and quality of available services make it essential that substate areas be granted the flexibility to design programs that meet their needs and fit their conditions.

The Job Training Partnership Act (JTPA) suggested that governors designate service delivery areas within the state consistent with labor market boundaries. However, efforts to align service delivery boundaries with labor market boundaries have had limited success. In a few states, service delivery boundaries have been redrawn to correspond to regional economic development zones. Several other states have ensured that JTPA and employment service boundaries overlap to promote coordination between the two programs. However, the theoretical appeal of synchronizing service delivery with labor market boundaries has, for the most part, been overwhelmed by the practical reality of local politics.

III. New Federal Role Evolving

The decentralization of workforce development programs requires a new role for the federal government. The appropriate federal role is neither to get "in the way" of state and local initiatives, nor stay "out of the way." Instead, the federal role is to "lead the way" by reorganizing and expanding workforce development efforts across the nation. The emerging model for federal action stresses providing federal policy "leadership" rather than exercising federal administrative "control."

Build a Federal Partnership

One federal objective is to unify the many programs devoted to work-related education, training, and employment within a common policy and organizational framework.

Consistent policies for federally funded workforce development programs are indispensable to putting the pieces together at the state and local levels. Fragmentation of the federal policy process among a host of Congressional committees and federal agencies poses a formidable obstacle to the coordination of related programs. Consequently, there is a need for a public/private partnership at the federal level to coordinate policies across a broad range of federal programs and institutions.

> **A revitalized National Commission for Employment Policy (NCEP) could play an important role in overcoming the fragmentation of workforce development policy at the federal level. The White House Domestic Policy Council should also help coordinate workforce development policies within the Executive Branch. Similarly, a bipartisan Congressional caucus or task force could help forge consensus on key strategic issues and marshal the resources to act on that consensus, with important benefits for the economy and for all Americans.**

Support State Reorganization Efforts

The states need federal leadership to guide and support the reorganization of their workforce development systems. Federal efforts to reform those

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components must necessarily be indirect because the federal government has little control over many of the key components of state workforce development systems.

There is always a strong temptation for the Congress to round up the best of the state programs and legislate them into federal law. It is difficult to accept at the federal level that fifty separate state workforce development systems can be more effective than one uniform federal system. But the ability of the states to adapt their education, training, and employment programs to changing labor market needs and integrate them into state economic development strategies depends on their control over those programs. In order for the workforce development systems to be as dynamic as the economies they support, the current wave of state experimentation and innovation must be nurtured as a permanent feature of those systems, rather than a temporary prelude to federal legislation.

Federally sponsored research, demonstration, and evaluation activities can provide valuable assistance to state reform efforts. By sharing the lessons from these activities, the federal government can fill some of the information gaps that are inherent in a decentralized system. In addition, careful evaluation of state and local programs is essential to the development of sound policies at the federal level .

The federal government should expand its research and demonstration activities to improve the effectiveness and increase the pace of state reform efforts. The federal government should step up efforts to evaluate national and demonstration programs in a timely manner to ensure a sound information base for federal policy. Federal leadership also should disseminate information about best practices and provide training and technical assistance to help existing institutions perform new functions or take on new responsibilities.

Improve State and Local Coordination

Federal leadership is needed to strengthen joint planning at the state and local levels. The partnership councils at the state and local levels are federal creations that have served a useful function in bringing together representatives of the key system components with representatives from the private sector to meet and plan together, at no cost to state and local flexibility. But their limited scope and authority undermines their effectiveness.

Recent federal legislation broadened the scope of the state job training coordinating councils to include responsibility for state dislocated worker and welfare-to-work programs. Consequently, it is likely that these state councils will acquire greater visibility with the governor, attract stronger appointments, and achieve more concrete results.

A corresponding expansion of authority is needed at the local level. The private industry council has been the key institution in many communities through which public and private sector leaders address workforce development problems. A few states have begun to experiment with a new coordination model that grants approval authority to private industry councils for local work-related education and training plans developed by agencies other than JTPA. The federal government should not necessarily wait for all states to adopt this practice voluntarily, since tension between state and local governments could frustrate change that is clearly in the interest of employers and individuals needing education, training, and employment services. Joint planning among local political jurisdictions within the same labor market would also further local program coordination.

The federal government should continue to expand the role and authority of the state job training coordinating councils and significantly increase technical assistance and training services to prepare them for additional responsibilities. Similarly,

the federal government should expand the authority of private industry councils over other work-related programs. The federal government should consider requiring the development of labor market-wide plans while preserving the right of individual jurisdictions to operate their own programs. The federal government should investigate the use of financial and other incentives to promote joint planning among local political jurisdictions.

Ensure Program Accountability

Federal leadership is needed to develop performance standards to set goals for national education, training, and employment programs and to ensure accountability for the expenditure of federal funds. Currently, only the Labor Department is involved in this activity. However, it is likely that other departments will soon be responsible for developing performance standards for welfare and education programs.

To ensure that program goals are consistent and performance measures for different programs are compatible, the Administration should assemble an interdepartmental group or designate an independent organization to coordinate the development of performance standards among different federal agencies.

Develop Flexible Targeted Programs

Another federal objective is to expand the scope of state workforce development efforts, while ensuring that the special needs of disadvantaged populations and distressed areas continue to be met.

Since targeted federal programs play a crucial role in promoting equity in the distribution of employment opportunities across society, their continuation helps accomplish sound social policy objectives. The main drawback to federal categorical programs, however, is the creation of a new delivery system for each separate program. As long as the states and localities can utilize existing administrative arrangements and service delivery systems, targeted federal efforts should augment, not detract from, state workforce development systems.

Federal legislation should continue to target resources to special population groups, but allow states and localities to retain substantial flexibility to design and operate programs tailored to their needs.

Leverage Additional Resources

Expanding state workforce development activities requires an increased federal financial investment. However, it is neither possible nor necessary for the federal government to shoulder the entire burden for this expansion.

More efficient use of existing resources through improved program coordination can support significant expansion of effort. The other major partners in the workforce development system–state and local governments and the private sector–should also provide necessary financial support.

Funding proposals discussed in federal welfare reform legislation provide a sound model for leveraging state resources. The federal government would appropriate a base level of funding to all states to preserve equity among the states and to guarantee at least a minimum level of state welfare-to-work activity. Then the federal government would make available additional matching funding on a sliding scale to states willing to commit their own resources, thereby providing a strong financial incentive to states to expand their education, training, and employment activities for welfare recipients.

Federal resources should be invested so that they leverage additional state, local, and private resources. The welfare reform model should be applied broadly to all federal workforce development efforts.

IV. Next Steps for Federal Action

Federal leadership has already made substantial progress in reforming some workforce development programs. Other programs require additional federal attention. In every program area, it is important to consider next steps for federal action.

Job Training for the Disadvantaged

Remedial job training programs were an early focus of federal reform efforts. During the 1970s, federal job training efforts were overwhelmed by the creation and rapid expansion of public service jobs programs, which were administered by the same agencies. Where remedial job training was conducted, the programs too often trained individuals for jobs that did not exist or taught them skills that were quickly obsolete. Inadequate attention to labor market needs resulted in programs that offered limited benefits to program participants who, despite training, often remained outside the economic mainstream.

In 1982, the Job Training Partnership Act (JTPA) refocused federal job training resources exclusively on education, skill training, and placement of individuals into private sector employment and assigned the public and private sectors joint responsibility for these efforts. The policy and organizational framework established by the JTPA legislation has served as a guide for subsequent federal workforce development activity.

> **The federal government should increase funding for JTPA programs, leveraging additional resources from state, local, and private partners. Congress and the Administration should conduct a thorough review of progress under JTPA and make necessary legislative and regulatory adjustments to improve the effectiveness of JTPA programs. In addition, the federal government should explore new approaches and commit additional resources to reducing adult illiteracy and reducing school dropout rates. Specifically, federal leadership should encourage the use of summer youth program funds to combine classroom instruction with work experience for disadvantaged youth on a year-round basis.**

Vocational Education

Vocational education programs need to become more responsive to the demands of a changing economy. While employers indicate they need entry level employees with more than the narrow training offered by most vocational education programs, many of these programs continue to concentrate on highly specific skill training, often conducted with obsolete equipment using outdated methods no longer compatible with modern manufacturing processes or office practices.

In 1984, the Carl D. Perkins Vocational Education Act established new priorities for federal contributions to vocational education programs. Prior to 1984, federal funds, which account for roughly one-tenth of total vocational education expenditures, were mainly used to maintain existing programs, regardless of their quality. The Carl Perkins Act refocused federal resources to upgrade and modernize vocational education programs and to increase access for individuals with special needs. In addition, the legislation established coordination requirements to encourage joint planning between vocational education and job training programs.

> **Reauthorization of the Carl Perkins Act during 1989 provides an opportunity to determine whether the federal goal of improving program quality is being met. Federal leadership should broaden the focus of vocational education programs to ensure that they become viable alternatives to academic programs, providing the literacy, math, reasoning, communication, and problem solving skills needed in the workplace. In addition, federal leadership could help**

states develop better formal advisory structures that utilize the occupational expertise of the private sector.

Welfare

The nation's welfare programs are undergoing a significant transformation. Traditionally, these programs have redistributed income to the poor to prevent individuals and their families from falling deeper into poverty. While the goal is laudable, the approach is flawed because it offers individuals who are able to work no permanent bridge to the economic mainstream. Work requirements in welfare programs have been treated mainly as administrative hurdles to be jumped in order to receive public assistance benefits, rather than as attempts to provide meaningful education and training that individuals need to find and keep a job.

In the early 1980s, Congress granted the states authority to experiment with new program designs and new administrative structures to encourage reform activity. Federal welfare reform legislation, drawing on the lessons from these experiments and from additional research, emphasizes education, training, and employment services to the able-bodied poor. States that desire to expand these services will be eligible for federal matching funds. The new legislation requires coordination with other related programs, involvement of the private sector in program planning, and development of performance standards to measure program success.

The federal government should capitalize on new federal legislation to redirect state welfare programs. The federal government should significantly expand its technical assistance to states and local communities to encourage use of the private industry councils as a mechanism to promote program coordination and private sector involvement. Continued federal research, demonstrations, evaluation, and sharing of best practices are necessary to support ongoing state experimentation.

Worker Adjustment

Retraining and reemployment assistance to dislocated workers has become a new federal priority in recent years. Recognizing that worker dislocation is a growing problem, but lacking a sound basis for specific program guidance, the Congress granted states flexible authority to try out different approaches to this problem in 1982. Based on this experimentation and on careful study, new federal worker adjustment legislation expands the scope of worker adjustment activities and strengthens the link between worker adjustment programs, related education and training programs, and the private sector.

Effective implementation of new worker adjustment legislation requires a significant increase in federal technical assistance to public officials and partnership institutions responsible for planning, operating, and overseeing the expansion of services to dislocated workers. Congress should increase federal funding for these programs as state administrative capacity develops, and should consider new methods to leverage additional state and private resources for program expansion. In addition, the federal government should expand research and demonstration efforts to determine effective methods of retraining and upgrading the skills of existing workers to prevent dislocation, including experimenting with methods to leverage additional private sector resources to support these activities.

Employment Service

Reforming the employment service has been attempted several times during the past quarter century. Initially, the employment service was the only public agency responsible for helping the structurally unemployed enter or reenter the job market. The proliferation of federally funded programs and private agencies with a similar role and the assignment of additional functions that have little to do with moving workers into jobs have left the employment service with a poorly defined mission and have hindered program coordination.

Amendments to the Wagner-Peyser Act in 1982 addressed this problem by distinguishing between employment-related functions and other functions performed by the employment service. Unable to identify a separate and distinct federal role for the employment service, other than the general terminology of labor exchange activities, Congress left it up to the governors to find an appropriate niche for the agency. To ensure greater program coordination, the legislation required joint planning between the employment service and partnership institutions at the state and local levels.

Efforts are under way in some states to transform the employment service into an active component of an overall workforce development system. For the most part, however, states continue to treat the employment service as a federal responsibility. State job training coordinating councils, which have approval authority over employment service plans, have rarely chosen to use this authority to ensure that employment service activities are consistent with statewide goals and objectives.

The Administration and Congress should determine whether there is a distinct federal role for the public employment service. Ensuing legislation should either clearly define current expectations, refocus the employment service along new lines, or transfer all administrative and funding responsibility to the states. The federal government should provide technical assistance to the employment service, state councils, and private industry councils to carry out their statutory responsibilities and to improve coordination between the employment service and other work-related programs.

Unemployment Insurance

Changes are also being considered in unemployment insurance programs. Historically, these programs have emphasized payment of benefits to temporarily unemployed workers who are waiting to be recalled to their previous jobs. This framework does not account for a growing proportion of workers who apply for unemployment insurance but cannot expect to be recalled and are more likely to possess obsolete skills. More emphasis is needed on teaching these workers new skills and helping them locate new jobs.

Recently, the federal government has funded research and pilot programs to identify which unemployed individuals are unlikely to return to their previous jobs and to determine what retraining and reemployment assistance they need to find new jobs in the economic mainstream.

The federal government should continue research and demonstration efforts to identify which unemployment insurance recipients are likely to be permanently unemployed and assist them to reenter the workforce. These activities should be carefully evaluated and the findings shared widely among the states. The federal government should explore new ways to streamline referral of unemployment insurance recipients to worker adjustment programs funded by JTPA. In addition, the federal government should study whether unemployment insurance trust funds could be used to finance remediation and retraining services without affecting the solvency of the funds. If the trust funds cannot support such activity, alternatives such as general revenues, a shared employer employee tax, or tax incentives should be considered.

Labor Market Information

Labor market information programs need retooling. Traditionally, these programs have mainly served the needs of academic researchers and public officials concerned with macroeconomic policy. The aggregate data gathered has been inadequate for local planning for workforce development programs. As these programs have sought to build stronger links to the private economy, they have found there is little information on which to base their decisions about who needs help and what training should be offered. What information exists is generally not shared among different programs.

The Carl Perkins Vocational Education Act of 1984 established an occupational information system to meet the needs of individuals and program planners and to improve coordination in the exchange of information among different agencies. But there has been limited progress in this area.

> **Federal leadership in the development and coordination of state and local labor market information should be greatly expanded. The Labor Department should provide more direct training and technical assistance to states to promote the development of their occupational information systems and should consider the creation of a special unit dedicated to this task. The Bureau of Labor Statistics (BLS) should continue to assist states in promoting the standardization of definitions and ensuring the integrity of information produced. Congress should provide the necessary funding to carry out these tasks.**

Elementary and Secondary Education

Improving public education represents a growing challenge for federal leadership. Since the public schools are the central institution for shaping tomorrow's workforce, improvements in public education translate directly into improvements in workforce quality. A quality education improves chances for initial success in the job market, thus reducing the burden on remedial or second-chance programs. Almost every state is currently pursuing some type of educational reform initiative.

Most federal investment in public education focuses primarily on meeting the needs of poor children, particularly in the preschool and primary grades. While early intervention is important, disadvantaged youth often lose the momentum of this early assistance by the middle and high school grades. Recent research indicates that poor youth find it increasing difficult to make a successful transition from school to work.

Additional intervention is needed, not only for youth who have dropped out of school and out of the workforce, but also for in-school youth. The education system needs to focus greater attention on curricula and teaching methods that combine real world experiences and academic learning.

> **The federal government should expand its early intervention efforts. In addition, new federal initiatives are needed to motivate disadvantaged and disaffected youth and improve their transition from school to work. The federal government should improve summer youth programs and vocational education, investigate broader application of apprenticeship-type approaches that combine classroom and on-the-job training, and evaluate career exploration programs. The federal government should experiment with and closely evaluate the role of business/education partnerships in improving the school-to-work transition for youth.**

Continued Progress

This nation has made significant progress during the past decade in redirecting and reorganizing its education, training, and employment programs to respond to new economic and social challenges. It is inevitable that the nation's workforce development policies will undergo scrutiny, and possible revision, with a new Administration and a new Congress. New leadership has a natural desire to make its mark on the policy process. This change in political leadership presents both a challenge and an opportunity to pursue long-term objectives in workforce development policy.

Based on experience and research, the emerging workforce development strategy holds much promise for the future of the nation's economy and for continued social progress. However, the institutional reform needed to implement this strategy is protracted and difficult, and current reform efforts are vulnerable to shifting political currents. It is important for new political leadership to respect the bipartisan tradition of workforce development policy.

The emerging strategy offers a coherent, comprehensive American response to the challenges of international competition, technological innovation, and changing demographics. With strong leadership from federal, state, and local governments and from the private sector, America can move aggressively forward to meet these challenges in the 1990s.

A Unified State Plan for New Jersey's Workforce Readiness System

Policy Recommendations & Implementation Strategies

This document was used as a basis for comments made by Dr. Henry Plotkin, Senior Policy Analyst for the New Jersey State Employment and Training Commission, at the workshop on employment held at NPRC's 1991 Annual Conference and Membership Meeting. It was subsequently published by the Commission in March 1992 and is reprinted with permission.

Executive Summary

The American economy, once the wonder of the world, now faces the threat of becoming second rate. Global competition in the "new world order" has made America's loss of its competitive economic edge critical. The most serious failure is the inability of the United States to sustain and nurture a highly skilled workforce. To meet this challenge, the State Employment and Training Commission [SETC], at the request of [New Jersey] Governor [Jim] Florio, has developed a series of recommendations to improve the way New Jersey educates and trains its workforce.

The workforce readiness system encompasses all institutions, agencies, and programs that educate and train people for work, provide job-seeking skills, match people with jobs or furnish labor market information. This system of employment, training, and education enhances the job-related skills of students, workers, and those seeking employment. This system includes work-based learning activities performed in the workplace sponsored by New Jersey's employers.

The Unified State Plan for New Jersey's Workforce Readiness System is a design for the 1990s and beyond. Its aim is to increase the skill level and the competitiveness of the State's workers and employers. The Plan is based on four policy guidelines:

- *It must be consumer-based and market-driven;*
- *There must be accountability and evaluation;*
- *The core of the system is attainment of fundamental literacy and basic skills; and*
- *There must be full utilization of all potential workers.*

The objective is to allow informed choice and provide ease of access for the customers of the system. The Plan's recommendations address three key needs of New Jersey's citizens and employers:

- *Lifelong Learning Needs of Individuals,*
- *Employers' Human Resource Needs,*
- *Workforce Readiness System Efficiency.*

This Plan is holistic and seeks to connect disparate elements of the workforce readiness system into a knowable and articulated continuum of services. It bridges gaps that have traditionally separated institutions and programs, people and jobs.

The Plan's call for authentic and effective collaboration among all components of the workforce readiness system is unparalleled in the history of New Jersey. Primary and secondary schools, colleges and universities, proprietary and public vocational schools, state agencies and community-based organizations, business and government are asked to function as a single system designed to meet the needs of both workers and employers.

Historically, a great strength of New Jersey has been a highly trained workforce. Profound changes in the competitive "rules of the game" wrought by the global economy demand fundamental changes in the way we prepare citizens for work. Strategies for effecting these changes are outlined below. These strategies are presented in a market-based framework. Recommendations that are meant to enhance the skill quality of the workforce are focused on individual skill development. These recommendations are concentrated in the lifelong learning section. Recommendations presented in the section that addresses employers' human resource needs are intended to affect the demand for workers by encouraging a high skill organization of work throughout New Jersey. They also complement lifelong learning through work-based training and education. System efficiency recommendations are meant to improve the interaction between labor supply and demand by increasing the quality of labor market information and the access to it.

Lifelong Learning Needs Of All Individuals

An idea New Jersey and the nation must embrace is that education for the world of work must be an ongoing process. A modern, globally competitive economy demands a workforce that can learn new technologies, function effectively in new organizational structures, and work cooperatively in a culturally diverse workplace. The rapid pace of change in these areas means that education cannot end with a certificate of proficiency or even a college degree. It must be integrated into the work-life of individuals. The recommendations contained throughout this Plan create the opportunity for students, workers, and job-seekers to enhance their skills.

The Unified State Plan calls for a comprehensive career education program for all students that is taught from the elementary level through high school. Teachers and counselors must be trained to focus on student career needs. The New Jersey Department of Labor employment counselors should collaborate with educators in this effort.

This new curriculum must provide work experience opportunities for secondary school students. Whether through cooperative education, community service, or job shadowing, all students should be given the opportunity to participate in a supervised work experience program. This will broaden the experience of students and allow them to see the relevance of education, learning, and thinking to the world of work. This curriculum also should link all jobs which students obtain on their own to their school work. The business community must be a partner in developing this curriculum.

A connection must be made between performance in school, as reflected in the student's transcript, and obtaining employment. The correlation between good grades and the promise of a good job will provide incentives for students who do not see the value or relevance of school to their ultimate job success. The Plan calls for the design of a revised high school credential that will do this.

Schools must certify and document for employers that students achieve initial mastery in required skills and competencies.

New Jersey must reduce the number of students who drop out of school. An important approach to solving the dropout problem is to consistently show the relevance of academic pursuits to future employment. Expanding educational options, such as 2+2 tech-prep associate degree programs linking secondary and postsecondary schools, is a key policy recommendation of the Plan.

Enriched learning opportunities in the public school system and school college partnership programs should be expanded through in-school, after-school, and summer programs for students to master workplace skills.

The Plan challenges the citizens of New Jersey to be creative and move beyond tradition by expanding services to students through partnerships with other agencies in a manner similar to the School-Based Youth Service Program.

The labor market of the 1990s demands that workers have a solid foundation in basic skills. The United States Department of Labor has issued its Secretary's Commission on Achieving Necessary Skills (SCANS) report. SCANS maps out five workplace competencies and three basic skills foundations required in today's labor market. The concepts contained in SCANS should be presented to the State Boards of Education and Higher Education for their endorsement. The curricula of primary, secondary, and postsecondary schools should then be revised to meet the demands of the workplace.

Employers' Human Resource Needs

Over 75% of Americans who will be working in the year 2000 are in the workforce today. Neither the public nor the private sector has devoted sufficient attention or resources to the upgrading of the skills of those already in the workplace. From teaching basic literacy to specialized knowledge of new technologies, the expansion of work-based learning must become a high priority for New Jersey. In this context, the business community must view the workforce readiness system as a resource that is accessible and adaptive to their needs.

To assure the availability of qualified workers, New Jersey needs to create and maintain a statewide system of measures and standards ensuring that completers of occupational education programs possess the skills and attitudes required by employers. Structured workplace training such as apprenticeships, classroom [instruction], and on-the-job training must be expanded to assure the upgrading of workforce skills. Further, all those who seek to upgrade their skills, including experienced workers, the unemployed, those just entering or reentering the labor market, must be able to access these work-based education programs. Work-based training, whether held at the worksite or in the classroom, must become the hub for ongoing lifelong learning programs.

Additionally, the ideas presented in *America's Choice: High Skills or Low Wages!* concerning initial mastery and the ability to apply these skills through lifelong learning should be presented to the employer community. This should be seen as part of a strategy to transform their businesses into "high performance workplace organizations" that can compete effectively in the global economy. This will be done through greater use of work-based learning, decentralized authority, and improved communication.

The transition of workers to jobs can be and should be improved. The workforce readiness system must be viewed by employers as a resource that is responsive to their human capital investment demands. An alliance between business and the employment, training, and education system has never been fully forged in America. The Plan strongly recommends the creation of a new alliance between these two sectors to upgrade the skills and productivity of the New Jersey worker.

The Statewide Automated Job Bank System should be extended to include a larger pool of trained and skilled applicants. It should also be made available to secondary schools, institutions of higher education, and nonprofit community-based organizations. Concurrently, the Automated Labor EXchange (ALEX) system must be enlarged to include the New Jersey Department of Personnel job listings, as well as the Job Training Partnership Act (JTPA) and apprenticeship training opportunities. Businesses must be encouraged to list job and training opportunities in ALEX to ensure access to the greatest number of qualified persons. Easy access to all job seekers registered in the system must be provided to all employers.

The availability of employer-provided training must be increased. New Jersey must provide employers with a simpler system to assist them in obtaining relevant information on employment, training, and educational services. Inducements for offering work-based instruction, including financial incentives and awarding college credit to participants, should be offered to employers. Public/private collaboration to develop programs to educate workers and management will make New Jersey more attractive to business. In summary, the activities of the workforce readiness system should be relevant to employers' human resources strategies.

Workforce Readiness System Efficiency

Information lies at the heart of an efficient workforce readiness system. Improving the quality, usefulness, and accessibility of this information is necessary so that those who seek employment or seek to hire, those who need training or offer it, can quickly communicate with each other. Unfortunately, the current workforce readiness system is complex and difficult to use. The Plan requires a shared intake system in which common information would be available to all customers. A data system shared by the Departments of Labor, Education, Community Affairs, Higher Education, Human Services, and Commerce and Economic Development must be created. Such a system would simplify communication among workers, employers, and employment professionals. Simultaneously, those who need career guidance will receive the latest information available.

Developing common intake, testing, and assessment methods must be a high priority. Agreement must be reached on the standards for testing basic skills, occupational competencies, and interests. These are important for assisting the public in making informed choices on appropriate workforce readiness and support services.

The quality and accessibility of information, from social support services to occupational labor market information, must be improved using currently available systems. At the same time, the feasibility of creating an inclusive computerized system using advanced technologies like fiber optics will be determined.

Accountability

The Plan strongly advocates the establishment of quantifiable performance standards for evaluating employment, training, and education programs. An accountability system will provide a means for State Government to measure the effectiveness of workforce readiness programs. It will also identify the need for new programs, program improvement, restructuring, or termination. Ultimately, the State Employment and Training Commission will compare the performance of different employment, training, and education program outcomes, both internally in New Jersey and within a national context.

The accountability system should be a resource helping decision makers at the customer level (clients, their counselors, program administrators, employers) choose the best training programs from among the many offerings in each occupational area.

The accountability system will be developed incrementally. In Fiscal Year 1992, the programs that will be the focus of the system will be identified, with measures to judge the performance of each. Eventually, the SETC will develop statistical models permitting comparisons between programs serving very different populations.

Action Agenda

To carry out the policies contained in this document, a comprehensive Implementation Strategy will be developed by the Executive Branch of government within 60 days of the Governor's acceptance of the recommendations. This Action Agenda will highlight the following policy priorities:

- Publication of a Guide to Occupational Education Programs;
- Expansion of "2 + 2 tech-prep associate degree" programs;
- Expansion of work-based learning activities, including apprenticeships and the Allied Health Professions;
- Development of a comprehensive career development curriculum;
- [Assurance that] graduation requirements will include work-related competencies and foundations and that credentials will reflect these achievements;
- Development of a comprehensive teacher and counselor in-service training program; expansion of teacher education programs to include a curriculum on career development;
- Development of a coordinated, interdepartmental business resource network;
- Expansion of the State's automated job bank system and Career Information Delivery System;
- Development of shared client assessment and intake techniques;
- Publication of a directory of social support services;
- Improvement of the occupational labor market information system, including publication of a glossary of employment, training, and education programs.

A Unified State Plan for New Jersey's Workforce Readiness System

I. Overview

The American economy, once the wonder of the world, now faces the threat of becoming second rate. Global competition in the "new world order" has made America's loss of its competitive economic edge critical. The most serious failure is the inability of the United States to sustain and nurture a highly skilled workforce.

The truth is that America is not mobilizing its educational institutions, financial resources, and intellectual capital to ensure a high-skill organization of work as the dominant model for our economy. Business leaders complain that there are neither sufficient entry-level nor skilled workers to meet their needs. Academic and government studies conclude that there is a mismatch between the skills of those who need jobs and the requirements of the private sector. The level of literacy of the workers is clearly inadequate.

The American worker is a great natural resource whose ethic of hard work and dedication is a national asset. Both workers and employers have been victimized by the rapidity of change in the global economy. Manufacturing jobs are being replaced by lower paying service jobs; workers have experienced a stagnation of their incomes over the past decade. For the majority of Americans, including many in the business community, the economy of the seventies and eighties has not enhanced the quality of life. The impact of the current recession has only worsened things by adding the fear of job loss or the concerns for the survival of a business to the equation.

Too many workers do not have the educational tools they need to remain productive in the world economy. Too many employers have not adapted their organizations to meet the demands of global competition. For workers to attain the quality of life they expect and employers to succeed in a brutally competitive economy, a new agreement between labor and management is required. This compact entails empowering a skilled workforce to achieve maximum productivity in a workplace designed to take full advantage of those skills. The reskilling of the American worker and the creation of modern organizations of work are the two factors necessary to sustain the nation's future economic prosperity.

Investing in the education of the workforce is the wisest choice New Jersey can make. Crucial to this notion is changing the pattern of labor/management relations. Adversarial relationships of the past must give way to new partnerships between labor and management. The attitudes and skills of business and workers must be enhanced to allow them to create such partnerships.

The State's demographics are also changing. Individuals making up the workforce will be older and include more females and minorities and fewer young people. The workforce will grow at a slower pace than the economy. To ensure the health of the economy, as well as the economic self-sufficiency of its citizens, the State must take a lead role in ensuring that the workforce has the skills needed by the labor market.

These demographic changes require special attention to the way employment, training, and education programs are conceived and delivered. A more diverse population means that a culture of cooperation and an appreciation of diversity will need to be emphasized in the classroom and at the worksite. New Jersey faces a genuine challenge in this area as its immigrant and migrant populations continue to increase. English as a Second Language programs will need to be dramatically increased, made more accessible and tied to improving job-related skills. This will require closer coordination of programs offered by adult learning centers, community colleges, and employers.

New Jersey's future economic success will depend upon the development of a high quality labor force able to produce the goods and services in demand by the marketplace. To achieve this goal, several things must happen. The skills of workers will need to be enhanced. The disadvantaged and disabled will need to be brought more fully into the economic mainstream. The coordination and the productivity of human resource systems must be increased through greater collaboration by government, business, labor, and education. Job discrimination and stereotyping must be eliminated.

The Plan is predicated on the following four policy guidelines: (1) it must be consumer-based and market-driven, (2) there must be accountability and evaluation, (3) the core of the system is attainment of fundamental literacy and basic skills, and (4) there must be full utilization of all potential workers.

Informed choice and ease of access by all customers of the system are the fundamental principles upon which the Plan is developed and executed.

A successful workforce readiness system must be consumer-based and market-driven. Institutions, agencies, and programs that impact employment, training, and education should be designed to meet the needs of the individuals participating in the training, while reflecting the demands of the labor market. Too often, occupational education programs consider neither the long-term interests of their "clients" nor the demands of the labor market. Instead, they are driven exclusively by performance requirements mandated by federal or state regulations or reflect the institutional preference of service deliverers. In any case, the system fails to provide the services needed by the individual or demanded by the labor market.

The implications of constructing a system that is attuned to the needs of both the consumer and the labor market are significant. Such a system requires both timely labor market information and a service delivery system capable of delivering programs to the consumer.

The new system must be accountable and able to be evaluated by the State. The success of the system will not be how well it fulfills abstract regulations, but how well it satisfies the demands of the labor market and the needs of the consumer. The ultimate purpose of the workforce readiness system is the enhancement of the standard of living of its customers. There has been far too much confusion about the goals of the employment and training system in the United States. While certain other outcomes may well result from the system, for example increased self-esteem for the client, the true success of any workforce readiness or occupational education system is the duration of employment and the wages paid to its graduates.

The Plan's third guideline is that the attainment of fundamental literacy and basic skills lies at the heart of any workforce readiness system. Today's labor market demands that workers be literate and intellectually adaptable to meet the challenges of high-skilled jobs.

Finally, demographic projections for New Jersey, and for the nation, show a slowdown of growth in the workforce. To meet the needs of the State's employers for trained individuals, all people must be given an opportunity to fully participate.

Groups of citizens who have not traditionally participated in the workforce must be identified and trained for skilled jobs to provide them with the wages necessary to enter the economic mainstream. Persons with disabilities, minorities, at-risk youth, displaced homemakers, and non-English-speaking people are among those who must be provided with special help.

New Demands Require New Policies

Governor Jim Florio has charged the New Jersey State Employment and Training Commission with the task of developing policies to simplify and integrate the State's workforce readiness system. This action was prompted by a growing concern about a shortage of skilled workers both in New Jersey and across the nation. The Governor's charge and the Unified State Plan echo a common theme: New Jersey's long-term economic prosperity depends on the quality of its workforce.

Although [the] New Jersey State Government offers many occupational education programs that provide a rich variety of opportunities, these programs are not sufficiently coordinated to meet anticipated labor needs and labor shortages. The system lacks a common purpose or interconnection to bring these separate programs and services together to function as a whole. Current state department planning consists of developing applications for funding from two singular approaches: planning by department for state funding and planning by program for federal funding. In the past, there has been no unified plan to guide state, local, community, and private groups in working together toward an integrated employment, training, and education system.

The Unified State Plan for Workforce Readiness requires a significant and authentic collaboration among the six state agencies most deeply involved in the education and training of the workforce and meeting the human resource needs of employers. The Plan calls for a "culture of cooperation" within state government that must be replicated at the regional level to assure that quality programs are available to the customer and to the employer alike.

A key agenda item for the State Employment and Training Commission is the establishment of regional mirrors of itself to stimulate cooperative practices locally. The separate planning processes of local employment, training, and education agencies must work together to create a common vision of the evolving workforce readiness system. The regional analogue must develop collaborative programming to respond to the demands of the labor market.

Regional analogues to the SETC will play a decisive role in carrying out the Unified State Plan and in determining whether the distribution of resources and responsibilities among local institutions meets the needs of the labor market. The Plan establishes a workforce readiness system that is state-based with services delivered locally. Authentic and empowering collaboration is as essential at the regional level as it is at the State level. Incentives must be established to encourage workforce readiness structures to collaborate as if they were a single system designed for the good of the customer.

American public education was created to meet an array of historical challenges: educating a new nation to the ways of democracy, providing technical knowledge to the farmer, teaching millions of immigrants the English language, and offering collegiate programs to advance the arts and sciences. At each stage of our history, we adapted our educational system to new demands. Oftentimes, we crafted new institutions to meet specialized needs. We have now entered an era where the mismatch between the skill demands of the workplace and the skills of workers demand another change.

Of no greater importance is the need to improve the level of mathematical proficiency of the workforce. The nature of technological change with its reliance on computers and the integration of sophisticated quality-control procedures demands a workforce able to apply mathematical concepts to workplace assignments. America's foreign competitors, particularly the Japanese and the Germans, have educated their workers to manage these new technologies and processes far better than America has.

The attainment of full mathematical literacy is also crucial for citizens to understand the complexity of the world they inhabit. Besides learning basic computational skills, citizens living in this technological age must also understand qualitative and quantitative relationships and statistical reasoning. The reading of charts in the daily newspaper, making decisions about personal finance, or comprehending data about developments in the national economy all require a level of mathematical ability greater than previous generations. The highly technical nature of the industry base in New Jersey requires that workers posses these skills.

An essential ingredient for the creation of successful workforce readiness programs is the recognition that the workplace of the future will be transformed by the introduction of new technologies. Workforce readiness programs must be understood as both a response to the demands of the high-growth sectors of the economy and as a stimulus for businesses to locate in New Jersey. Consequentially, workforce readiness programs are integral to economic development efforts; i.e., the availability of a highly skilled workforce will help to attract and retain industries that pay well.

II. Policy Recommendations

This Plan is the result of a unique partnership between the Executive Branch of New Jersey State Government and the SETC [State Employment and Training Commission]. Its purpose is to provide [New Jersey] Governor [Jim] Florio with the best thinking of the Commission, influenced by the expertise of high-level state government officials, directed by the Cabinet, about the future of New Jersey's employment, training, and education system. In entering into a close working relationship with the Commission, these officials are leading state government in a bold new direction: Where the interests of the "customer" transcend those of any single agency of government. This is an acknowledgement that the daunting challenge of preparing the workforce for the demands of the global economy is beyond the ability of any one department or program. Indeed, as suggested in this Plan, it will require a true partnership of all those who care about New Jersey's economic future.

The implications of this Plan for the way state government acts are profound. Once the Governor accepts the Plan, it becomes the guidepost for all departmental policies and budgets as they pertain to the workforce readiness system. The planning process will become a clearinghouse for the State of New Jersey's workforce preparedness decisions. This represents a substantial departure from the way government traditionally conducts itself. The Plan is a "living document"–dynamic, elastic, and adjustable–that will make an indelible mark on the quality of life in New Jersey.

Although the recommendations offered in this Plan are sweeping in their scope, they must be understood as only the first step in the reform of the workforce readiness system. The structural and functional relationship between the major players in that system will need to be assessed as will the quality and labor market relevance of postgraduate education in New Jersey. These issues, along with a host of others such as at-risk youth and older workers, will be on the Commission's agenda in the future.

The Unified State Plan for Workforce Readiness is a design to adapt the employment, training, and education system in New Jersey to meet the skill requirements of the global economy of the 1990s and the next century. The SETC recommendations contain specific policies for improving the workforce readiness system. However, there are a number of basic tenets that must be embraced before formal recommendations offered have meaning.

The Commission recognizes that the training of the workforce is not the only purpose of the educational system. Elementary, secondary, and postsecondary schools have the responsibility of teaching students history, science, and culture and, most importantly, to be citizens in a democratic society. No recommendation in this Plan is meant to diminish these laudable goals. What the Plan does seek, however, is that equal weight be given to the work preparedness needs of its students. Implicit in the Plan is the belief that the extent to which education and training programs help students see the relevance of their studies to the world of work, they will be inspired to perform at a higher achievement level in other subject areas.

The Plan understands that profound changes in the demography of the workforce necessitate comparable changes in the way we educate people for the world of work. Single parents, minorities, persons with disabilities, the economically disadvantaged, those for whom English is not the primary language, and women, especially those reentering the workforce, must not only be included in employment, training, and education programs, but those programs must be adapted to meet their needs. Indeed, the Commission is fully aware that issues like cultural diversity and equity must be directly addressed by all partners in the workforce readiness system. Preparing a workforce for the next century demands no less.

To assure that the needs of the "customer" are the first priority of the reformed workforce readiness system, the Commission has built into its recommendations an important role for those departments representing the customers of the system. At all stages in the development and implementation of the workforce readiness system–policy formation through evaluation–state- and regional-level consumer representatives will be intimately involved.

A corollary to the central role of consumer representation is the insistence that quality be the hallmark of the new system. Customers should be treated with dignity and respect, programs should be professionally and sensitively delivered and governed by clear accountability standards.

The Commission understands that many of our citizens face substantial financial obstacles to improving their skill level. The affordability of employment, training, and education programs are necessary to assure their accessibility. Of particular concern is the cost of higher education. The Commission's recommendations call on higher education institutions to play an even more prominent role in a revitalized workforce readiness system. They are being asked to collaborate more systematically with secondary schools, make a major effort in workplace learning programs, participate in economic development efforts and, especially for the county colleges, make the training of the workforce their highest priority. An underfunded and high-tuition-driven higher education system will be unable to fulfill its important mission.

Strengthening the relationship between the skills of the workforce and economic development is a major goal of the State Employment and Training Commission. Unless sufficient jobs are created at high-performance workplaces employing highly skilled workers, the New Jersey and the American economies are in deep trouble. A highly skilled workforce in a low-skilled employer-demand economy, a low-skilled workforce in a high-skilled economy, or a low-skilled workforce in a low-skilled economy are all unacceptable. The Commission will work with the newly created Governor's Council For Job Opportunities and similar groups toward achieving the goal of assuring a high-skill/high-wage economy for New Jersey.

The need to bring small- and medium-sized businesses into the employment, training, and education system is a high priority for the Commission. These enterprises account for a substantial percentage of the new jobs generated by the New Jersey economy and, therefore, must be able to upgrade the skills of their workers. Moreover, the entrepreneurial spirit that gives rise to innovative risk-taking must be supported by workforce education programs. For those New Jerseyans who take the risk, and particularly those in the minority community, the dream of operating their own businesses should be nurtured.

To achieve these aims, special collaborative arrangements must be forged among small- and medium-sized enterprises at the regional level in conjunction with vocational high schools, adult learning centers, and county colleges. In no area is the need for collaboration more pressing than in assuring that the small business community is well served by the workforce readiness system.

The Commission is concerned that the impact of the quality of the workforce on the economy has not received the attention it merits. For the vast majority of the public, as well as a surprising number of business and labor leaders, the necessity of creating good jobs at good wages in high performance organizations of work is not fully understood. It is a major goal of the Commission to educate all sectors of the economy and the society about the urgency of this issue. What is at stake is the economic survival of the nation and the quality of life of its citizens. That Americans do not appreciate the crucial linkage between education of the workforce and their own standard of living must be addressed by a massive public information campaign. No objective will be higher on the Commission's agenda than engaging all citizens of New Jersey in a dialogue about how the workforce readiness system affects their economic future.

The specific recommendations of the Plan are divided into three sections: the lifelong learning needs of all individuals, employers' human resource needs, and workforce readiness system efficiency. Each section will offer narratives explaining the meaning of individual or groups of interconnected recommendations. In assigning this arrangement of categories the Commission is not implying that they are separate from each other. Quite the contrary, the recommendations are a continuum of policy reforms designed to improve the workforce readiness system in New Jersey.

A. Provide a Workforce Readiness System that is Responsive to the Lifelong Learning Needs of All Individuals

An idea New Jersey and the nation must embrace is that education for the world of work must be an ongoing process. A modern, globally competitive economy demands a workforce capable of learning new technologies, new organizational structures, and the necessity of working cooperatively in a culturally diverse workplace. The rapid pace of change in these areas means that education cannot end with a certificate of proficiency or even a college degree, but must be integrated into the work-life of individuals. The recommendations contained in this section are designed to create the opportunity for students, workers, and job-seekers to enhance their skills.

The Plan recommends close linkage of school systems to the demands of the evolving labor market offering students and workers a range of occupational education choices that will assure them good jobs at good wages. Specifically, the Plan calls for establishing high-quality skills training programs for the non-college-bound student, easing school-to-work transitions, and dramatically increasing the availability of programs to upgrade the skills of our existing workforce through both classroom and work-based learning.

In the current workforce readiness system, too often school and work have been seen as separate enterprises. The Plan recommends creating realistic links among prospective workers, schools, and the workplace involving all levels of the educational process: elementary, secondary, postsecondary, vocational/technical, adult learning centers, and two-year and four-year colleges and universities. Employment, training, and education programs must occur in the schoolroom and the workplace: the job requirements of a globally competitive economy demand that the training of workers must be a continuous process.

To create a "world-class" worker preparedness system, the mind-set of the business community and the public must change. Learning and work need to be viewed as mutually reinforcing: skills enhancement should be based on the knowledge a person will need "two careers" down the line. Therefore, it is important for job-related proficiencies and competencies to address not only entry level jobs, but higher level ones as well.

Transitions

School-to-School

The ultimate goal of "school-to-school" transitions is to establish collaborative arrangements between secondary and postsecondary institutions across an array of workforce readiness-oriented programs. Four-year programs should be developed in occupational preparation which consist of the last two years of high school and the first two years of college ("2+2" tech-prep associate degree programs).

In a parallel manner, occupational education programs that link two- and four-year colleges should also be established. All of these tech-prep programs should be developed in collaboration with employers based on relevant labor market information.

It is essential to expand "articulation" agreements among the various education levels to assure both smooth transitions for students and the cooperative development of a workplace readiness-based curriculum. Where possible, college credit should be granted to high school students who achieve at a prescribed level. Ultimately, all secondary schools in New Jersey should have articulation agreements with postsecondary schools across a variety of subject areas. In the end, the current mismatch between the exit requirements for high school graduation and entry requirements for postsecondary education should be eliminated.

Recommendations

- *Expand collaborative arrangements between secondary and postsecondary institutions to ease "school-to-school" transitions, offering in-school, after-school, and summer programs for all students.*

- *Develop plans to expand and simplify cooperative education learning activities at the high school, two-year, and four-year college levels.*

- *Expand 2+2 tech-prep associate degree programs in cooperation with employers and based on relevant labor market information.*

The following recommendations are designed to assure the workplace relevance of school-to-school transitions:

- *Private-sector advisory groups should assist in customizing secondary and postsecondary curricula and programs based upon the needs of business and industry to assure their relevance to the labor market.*

- *A list of all active and current tech-prep programs should be developed and made available both in printed form and from on-line computer terminals from the Network for Occupational Training and Education (NOTE), Career Information Delivery System (CIDS), Automated Labor EXchange (ALEX) systems or other computerized data bases.*

- *A collaborative team from the relevant State agencies, led by the New Jersey Occupational Information Coordinating Committee (NJOICC) should identify high-demand occupations. Such information should be the basis for developing new initiatives between secondary and postsecondary institutions.*

Between School and Work

In a modern economy people will switch jobs four to five times, making the ability to constantly upgrade their skills a necessity. Individuals must be able to participate in occupational education programs throughout their working lives. This need is heightened by the rapid pace of technological change which requires ever-changing job skills. In order to assure the acquisition of transferrable and relevant skills, the Plan also calls for specific school-to-work transition programs for those students who do not want further training. In order to assure the acquisition of transferrable and relevant skills, programs must be competency-based. A competency-based assessment system is necessary to enable individuals to enter occupational education programs and attain credit for skills learned in other programs or on the job.

Recommendations

- *Extend the availability of occupational education programs to out-of-school youth, REACH*/JOBS clients, and others who could benefit. This can best be accomplished by assuring that all occupational and technical training programs are developed in a competency-based open entry/exit format accessible to all.*

- *In-school employment counseling services must be coordinated with Department of Labor Employment Offices.*

- *Students working, but currently not participating in school-based training programs like cooperative vocational education, should participate in job counseling programs to offer others, and gain for themselves, broader perspectives on the world of work.*

- *Mentoring programs, with the participation of the business community, should be established to ease the transition from school to work for the non-college-bound student.*

Comprehensive Career Education

A comprehensive career education program should be fully integrated into the school curriculum beginning at the elementary level. Its purpose is to provide students with the knowledge needed to make informed career choices. This program must be a broad-based course of study designed to overcome the traditional "vocational" and "academic" distinction. Graduates of both the vocational system and the academic path must be competent in such skills as critical thinking, effective communication, and appropriate knowledge applications, as well as experiential and applied learning.

Key to the success of this new curriculum is the integration of a work experience component. All students should have the opportunity to participate in a supervised work experience program. Cooperative education, job shadowing and tryout, summer employment opportunities, and community service should be expanded for all students, with a special emphasis on the needs and interests of young women. This latter point is especially important because of the increase in the number of women and the prominence of two-income families in the labor market.

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*Editor's Note: On April 15, 1991, Assemblyman Wayne Bryant introduced Bill A-4700, the Family Development Act, to replace the Realizing Economic Achievement (REACH) program. The bill was signed into law on January 21, 1992. It mandates the replacement of the REACH program in Camden, Hudson, and Essex Counties by July 1, 1992. It will be implemented statewide about a year and a half or two years from that date.

The business and industrial community should be brought into the curriculum planning process to assist in bringing work experience efforts closer to the labor market. This will broaden the perspective of students. In the end, such a curriculum will ease the transition from school to work.

Recommendations

- *Develop a comprehensive career development program to be fully integrated into the school curriculum beginning at the elementary level.*

- *Develop a plan to better prepare all students for the changing workplace by increasing their understanding of the relationship between education and employment and improving their career decision-making skills. This should include a unit of instruction for job readiness with "hands on" experience, expanding school-to-work activities, using Department of Labor employment counselors as resource persons for the schools, and linking job counseling with students who are working.*

- *Encourage Industry participation in developing the content of the curriculum for public school work preparation programs, including any supervised work experience component.*

Graduation Standards

The Plan also endorses and calls for statewide promulgation of the reports of the U. S. Department of Labor's Secretary's Commission on Achieving Necessary Skills (***What Work Requires of Schools***) and the Commission on the Skills of the American Workforce (***America's Choice: High Skills or Low Wages!***). Students graduating from New Jersey's public secondary and postsecondary educational systems will have the option of obtaining proficiency portfolios or credentials based on the five competencies and three foundation skills detailed in the SCANS report.

The SCANS report should serve as a foundation for creating graduation standards that will assure employers of the level of competence of all students. The Commission understands that the inclusion of additional graduation requirements and courses of study will necessitate reviewing the curriculum of the entire school system and may require the expansion of the school day and extension of the school year.

Recommendations

- *High school graduation requirements shall be reviewed and revised, as necessary, to assure the inclusion of competencies and foundations skills. Development of curriculum based on these requirements should assure that students have the foundation skills and employability skills to enter employment or college without a remediation process. Approval of the State Board of Education must be obtained.*

- *Develop a system of learner certification that will serve as a guarantee to an employer of the learner's competence in specific occupational tasks.*

- *Develop a system to provide all students with documentation of skills and competencies achieved in school. The attainment of these skills should be reflected in high school graduation credentials and portfolios and made available to prospective employers at the student's request. There must be a system which aids all students in understanding the relationship between school achievement and success in the workplace.*

Staff Development

As the curriculum for the schools is changed, so too must the training of teachers. Aside from being trained in whatever new curricula are developed, teachers and other school personnel must become more expert on the requirements of the labor market. A key finding of the Commission is that the public school system is too oriented toward those students who are college-bound in the traditional manner and pays too little attention to the "forgotten half," those who are not going straight to college. Of particular importance is the need to guarantee that the educational community helps all students understand the relationship between school achievement and success in the workplace.

The content of the training and of the new curriculum must be broadened to include issues such as developing self-esteem, nontraditional careers for women, and life skills. Moreover, those designing curriculum must take account of the unique challenges facing minorities and women in the workplace. There must be consultation with both the business community and experts on gender and racial issues to assure the development of quality training.

Recommendations

- *Develop teacher and counselor in-service training to ensure the knowledge and skills needed to conduct a comprehensive career development program.*

- *Develop revised certification requirements, with appropriate postsecondary courses in teacher education, and obtain approval of appropriate State Boards.*

- *Enhance and expand professional development and in-service training opportunities for teachers, counselors, administrators, and other education professionals.*

Support Services

While the Commission's major concern is with upgrading the skills of the workforce, it does recognize the crucial need for social support services to buttress the workforce readiness system. The workforce readiness system must be responsive to those who face multiple barriers and have multiple needs. A central principle of the Commission is that racial or sexual stereotyping in worker preparedness programs and in hiring and promotion must be eliminated. However, the needs of some in our society go beyond the eradication of prejudice: the availability of social support services are a precondition for many to succeed in obtaining the skills necessary to achieve economic self-sufficiency.

Recommendations

- *Provide comprehensive support services to increase open access to, and integration into, the workforce readiness system for all persons in need of such services.*

- *Provide support services for all students attending the public school system and their families. A plan must be developed to expand the highly successful School-Based Youth Services program into all school districts.*

- *Expand FamilyNet (currently being implemented by a coalition of state agencies) to all school districts to assure the on-site availability of needed support services.*

- *Assure high school dropouts, up to the age of 22, access to alternative programs, such as the New Jersey Youth Corps.*

- *Expand educational services to populations with disabilities, centered on specific occupational areas.*

- *Expand educational support services to single parents.*

- *Transform school facilities into genuine community centers.*

B. Make the Workforce Readiness System Relevant and Valuable to Employers' Human Resource Needs

Over 75% of Americans who will be working in the year 2000 are in the workforce today. Neither the public nor the private sector has devoted sufficient attention or resources to the upgrading of the skills of those already in the workplace. From teaching basic literacy to specialized knowledge of new technologies, the expansion of work-based learning must become a high priority for New Jersey. In this context, the business community must view the workforce readiness system as a resource that is easily accessed and adaptive to their needs.

The continuum of workforce education programs must continue at the workplace and in the classroom. The employer community must come to understand that a globally competitive economy demands ever increasing levels of productivity. Upgrading of the skills of the current workforce is a key to achieving that productivity. The employer community, much like the Europeans and the Japanese, needs to devote the resources and attention necessary to enhance the skills of its workers. The Commission believes the upgrading of the skill level, including the levels of literacy, of those already employed will require a strategic alliance between the private and public sectors.

In pursuit of this objective, an unprecedented collaboration among government, higher education, vocational schools, adult literacy programs, labor, and the business community must be forged. Such a collaboration must develop skill training programs to meet the needs of workers and employers, particularly those of the small business community.

A sophisticated information-sharing system linking the workforce readiness system to employer hiring needs is essential to helping employers meet their workforce needs.

Structured Training at the Workplace

The successful apprenticeship system must be supported and expanded. This expansion will be undertaken through a close cooperative effort between the federal Bureau of Apprenticeship and Training, the New Jersey Division of Vocational Education, Local Apprenticeship Coordinators, and the New Jersey Department of Labor.

Recommendations

- *Expand the registered apprenticeship system into occupational areas that have traditionally not been served in a comprehensive manner by the registered apprenticeship system.*

- *[Implement a] new training model which would contain the following elements:*

1. Structured on-the-job training combined with classroom training;

2. Formal recognition of completion through credentials and certificates of completion;

3. Employer sponsorship with limited support from government;

4. Transfer of skills on the job through a skilled supervisor or skilled coworker;

5. Agreement between the training sponsors and the trainees on the process and objectives of training;

6. Established goals for the recruitment, training, and retention of female and minority participants for these new workplace learning models;

7. Special effort to reduce sexual and cultural bias in job placement and retention.

Program Expansion

Upgrading the skills of the current workforce will require a broad effort on the part of the public and private sectors. Some of the changes required include explicit links between educational institutions and business, particularly small business, as well as the expansion of existing efforts and program funding. Programs that teach specific occupational skills must be connected with those that teach basic literacy skills.

Recommendations

Improving Collaboration

- *Expand and enhance the connection of community colleges, vocational schools, adult learning centers, and proprietary schools with work-based training initiatives. From teaching basic literacy skills to specialized knowledge of new technologies, the expansion of work-based learning must become a high priority.*

- *Expand opportunities for adults in basic literacy particularly for those for whom English is a second language. The availability of adult basic education offerings, linked to specific work skills enhancement efforts in the vocational schools, county colleges, and the workplace must be increased.*

- *Increase the number of all-day comprehensive, centrally located adult learning centers to serve a target population that has low academic skills, lacks a high school diploma, and are underemployed or unemployed.*

- *Expand work-based learning activities, including apprenticeship, workplace literacy programs, cooperative education, and nontraditional employment for special populations.*

- *Increase the knowledge of employers and local providers of services about resources and opportunities available for customized training.*

- *Increase the training, retraining, and customized training opportunities directly related to employer needs.*

- *Expand work-based learning projects sponsored by the New Jersey Department of Labor's Office of Customized Training.*

- *Expand the use of the New Jersey Occupational Information Coordinating Committee's Career Information Delivery System to include data on work-based learning systems.*

- *Make the Career Information Delivery System the State's standard clearinghouse for career information, including data on apprenticeships and all other types of work-based learning.*

Funding

- *Increase the use of union training funds in work-based learning projects.*

- *Explore expanded use of the New Jersey Department of Labor's "On-Site" training program that permits claimants to continue to collect unemployment insurance checks in lieu of a salary while training on the job. Utilize JTPA Title III funds for work-based learning.*

- *Explore methods to fund workforce education and training, such as the establishment of a new skills partnership to support upgrading skill levels.*

High Performance Workplace Development

High performance workplace organizations should be encouraged. These organizations structure their work in accordance with the following principles:

- *Decentralized authority, with more authority given directly to workers to use judgement and make decisions;*

- *Integration of work into whole jobs rather than discrete tasks;*

- *Extensive channels of communication up, down, and across the organization and among workers:*

- *Higher ratios of direct to indirect labor;*

- *Design of the work environment to facilitate interaction among workers;*

- *Integration of work with formal and informal education programs to expand the cognitive capacities and work skills of employees.*

Recommendations

- *Promote the concept of "high performance workplace organizations" within the employer community as a way to maximize the productivity of all workers.*

- *Conduct a statewide conference for employers on high performance work organizations.*

- *Market programs and workers to retain, expand, and attract businesses.*

Match Workforce Skills to Demands of Labor Market

To be competitive in today's workforce a worker must possess more than the basic skills once considered essential. For instance, competencies described in the SCANS report include identifying, organizing, planning and allocating resources, working with others, acquiring and using information, understanding complex interrelationships, and working with a variety of technologies. It becomes crucial to match workforce skill and competency development to the demands of the labor market.

Recommendations

- *Identify and verify entry-level occupational and employability competencies for occupations with high labor market demand and develop a system of evaluation to assess skill-level of program completers.*

- *Establish the standards reflected in the SCANS report as the basis for school curriculum, and also for occupational education and work-based learning. A competency guide for specific occupations and generic employability competencies will be developed.*

- *Identify specific local training needs and encourage service providers to offer educational and training programs that are responsive to the identified needs.*

- *[Develop] a system of learner certification by the Departments of Education and Higher Education that will guarantee to an employer the learner's specific competencies.*

- *Conduct an interdepartmental employer survey to determine if the goals of training programs are being met, if education and training competencies affect the quality of work, and whether the guarantee of competencies is effective.*

Assist Employers to Remain Competitive Through Employee Training and Retraining

With technology changing so rapidly, many companies are forced either to hire a new more skilled workforce, close, or lose much of their market. Training and retraining of the current workforce would save the expense of hiring new people and decrease the human tragedy involved in job loss.

Recommendations

- *Identify through surveys the type and level of training required by employers. Catalog and update such information annually.*

- *Develop new incentives to promote employer-provided training. Publicize current successful work-based training programs for use as "best practices" models.*

- *Create an early warning system to identify employers who have immediate training needs.*

Develop and Market Programs that Sustain Highly Skilled Workers

The business community and workers must come to understand the crucial importance of work-based education. There is substantial evidence that the public has yet to fully understand the need to maintain and create high-skill/high-wage jobs as opposed to merely creating jobs. The history of the last decade is one where many of the jobs created were at substantially lower wages than the jobs that were lost. Therefore, the Commission strongly believes in developing mechanisms to persuade the public, workers, and business of the necessity of upgrading the skills of the current workforce.

Of equal importance is the need to market New Jersey as a national leader in workforce education at the workplace. Such a strategy will serve as a positive incentive to both retain and expand businesses in New Jersey, as well as attracting new businesses. To accomplish these tasks, a network of state agencies needs to be formed to coordinate and provide information and support to employers.

Recommendations

- *Identify and provide the type and level of training required by employers and raise the awareness of the benefits of employer-provided training.*

- *Encourage employers to use public training providers by ensuring occupational proficiency of graduates.*

- *Develop a mechanism for awarding college credit for work-based instruction.*

- *Establish a coordinated cooperative approach to increase the active participation of the business community as users and providers in all levels of the employment, training, and education systems on a sustained basis.*

- *Distribute information concerning business and industry needs and provide technical assistance to workforce readiness system service providers.*

- *Assist in the coordination of statewide efforts to increase business and industry participation in the workforce readiness system by developing interagency presentations to solicit their active commitment.*

Improve the Transition of Workers to Jobs

A coordinated system to help people obtain jobs is necessary in order to improve [the] transition of workers to jobs. This system must use the resources of the New Jersey Departments of Commerce and Economic Development, Education, Higher Education, and Labor, with input from the Departments of Community Affairs and Human Services. Central to this system is the automated job bank network. This network would be supplemented with self-help groups and specialized assistance.

Recommendations

Automated System

- *The Department of Labor should expand its automated job bank system for use in high schools and vocational schools, community colleges and four-year colleges, and human services support offices.*

- *Civil Service job listings should be available through this automated system, with the ability to apply for the jobs on-line or by fax machine.*

- *JTPA and apprenticeship training opportunities should be included in the ALEX system.*

- *Nonprofit community-based organizations should have the opportunity to participate in the system, offering broad access to both employers and job seekers.*

- *Employer participation in the statewide job bank system is a necessary element in this transition of workers to jobs which can be achieved through increased listing of their job opportunities in the system and direct access to the applicants available.*

- *Companies receiving financial assistance from state agencies will be required to list their job openings in the automated job bank as one primary source of recruitment for new employees.*

- *Economic Development authorities or councils will be encouraged to use this system as a "selling point" to retain or attract businesses.*

Self-Help Systems

- *Expand the Department of Labor's self-help systems such as the Professional Service Groups. Self-help groups of professionals looking for employment should be housed in Employment Service Offices with an Employment Counselor available as a resource person.*

- *ALEX, the Automated Labor EXchange, should be available to individuals in school settings, community-based organizations, and other state agencies. This will allow the individual to look for jobs or training in any area of the State, as well as [provide] a listing of federal jobs in New Jersey.*

Specialized Assistance

- *Employment counseling is available through several agencies, including schools. The Departments of Labor and Higher Education should develop a comprehensive group job readiness curriculum and a career counseling manual should be developed to ensure a comparable level of counseling from each agency.*

- *The Vocational Information Profile should be used extensively in schools to aid students in matching their aptitudes and interests with potential career goals.*

- *The Career Information Delivery System (CIDS) is currently available in many schools, but should be expanded. It offers career information including a listing of vocational and postsecondary schools which offer the necessary courses for a particular career and a listing of companies using individuals with those career skills.*

C. Develop Accessible and Integrated Program Processes that Respond to the Needs of Employers and Clients

Information lies at the heart of an efficient workforce readiness system. Improving the quality, usefulness, and accessibility of this information is necessary so that those who seek employment or seek to hire, those who need training or offer it, can quickly communicate with each other. Simultaneously, those who need career information will be able to receive the latest information available.

The Commission's major goal in this area is to make the workforce readiness system easy to use and accessible to consumers and producers of services. The current workforce readiness system is a complex collection of essentially stand-alone or independent programs. It is difficult to maneuver through and complicated to use.

To create a simpler and more effective system, the State must create a new common ground on which everyone works together in a collaborative manner.

Key components of enhancing the relevance and value of the workforce readiness system include improving the availability of common information throughout the system, exploring the possibility of linking service delivery agencies through computer technology, and expanding the knowledge of the users as to the vast array of programs and services available.

Shared Intake System

The State must develop a shared intake system in which common information and data are available to each participating agency. A major thrust in this area is the intelligent use of computer technology to link all relevant systems in a "user friendly" manner. While the Commission understands that information systems were built for use by particular agencies, the time of proprietary ownership must give way to a new ethic, where all partners in the employment, training, and education system behave as if they were part of a single system.

Recommendations

- *Develop and implement an intake system for customers (clients) in which common information is obtained once from the customer and shared among service deliverers in the workforce readiness system. Investigate simplifying and combining intake systems among various service deliverers.*

- *Identify comparable, standardized tests which profile basic skills, occupational competencies, aptitudes, and interests. Ensure that all tests are appropriate to the needs and abilities of the client.*

- *Identify and train appropriate personnel in common assessment principles and tests. Ensure that all assessment techniques are appropriate to the needs and abilities of the client.*

Accessibility and Quality of Information

Explore the possibility of creating a computerized application to make information on clients and employment opportunities readily available across workforce readiness system service delivery agencies. Use as a base the Department of Labor's Automated Labor EXchange System, the New Jersey Occupational Information Coordinating Committee's Career Information Delivery System, and the Community Colleges' Network for Occupational Training. A plan should be simultaneously developed to improve the quality of such information.

Recommendations

Accessibility

- *Explore the feasibility of creating a computerized information system to be shared by the Departments of Labor, Education, Community Affairs, Higher Education, Human Services, and Commerce and Economic Development through an impact analysis and cost-benefit analyses.*

- *Conduct a systems design study, including all steps required by the Office of Telecommunication and Information Systems policies and procedures.*

Quality

- *Define user planning and counseling needs.*

- *Establish common geographic planning regions and planning cycles for workforce readiness components.*

- *Improve the quality, reliability, completeness, relevance, and availability of occupational labor market information. Both program planners and consumer agencies should be able to use the information as an effective tool. Develop a coordinated staff training program in the use of labor market information.*

- *Coordinate the use of information throughout the workforce readiness system.*

- *Disseminate labor market information which meets the needs of the customer in a timely and cost-efficient manner, using a multimedia approach.*

Information Exchange

- *Develop a plan to establish a standardized program of information exchange and interprogram referral to facilitate movement of clients within the workforce readiness system.*

- *Expand client access to the CIDS by placing terminals in public adult vocational schools and public libraries.*

- *Develop multimedia computer applications describing the components of the workforce readiness system and promote the system widely.*

- *Ensure that all workforce readiness system staff have access to comprehensive training and necessary information on all service providers in the system.*

- *Coordinate lease actions among workforce readiness system agencies so services can be brought together to address the "one-stop shopping" concept beyond the Department of Labor's initiatives.*

- *Establish a toll-free Workforce Readiness "800" hotline staffed by employees from all six Departments.*

- *Create a directory of employment, training, and educational programs and services available to employers.*

- *Compile and publish a definitive glossary of employment, training, and education programs and terms for dissemination throughout the workforce readiness system.*

Connection to the Social Support Community

The Workforce Readiness System must establish close links with those agencies responsible for providing social support services. The Commission is committed to developing a holistic approach to addressing the demands of all those in need of job training services. This Plan recognizes that social services and workforce readiness programs are simply flip sides of the same coin. Anything that can be done to administratively, electronically, and financially link these two systems is in the interest of the customer.

Recommendations

- *Establish an information system of support services and programs available to clients in the workforce readiness system, including child and other day care services, housing, community-based organizations, health care clinics, transportation services, food kitchens, self-help organizations, among others.*
- *Publish and distribute the information throughout the workforce readiness system and to the general public.*
- *Investigate computerizing the information.*
- *Provide one-stop service with agencies co-located, where possible, with bilingual services, where needed.*
- *Develop formal and accessible linkages between the workforce readiness system and the wide array of human service support systems such as REACH and School-Based Youth Services.*
- *Develop a comprehensive directory of services in each county, including day care and women's centers.*

III. Accountability System

P.L. 1989, Chapter 293, requires the SETC to "establish quantifiable performance standards for evaluating each employment and training program." In Fiscal Year 1992, the SETC will begin to build a comprehensive Workforce Readiness Accountability System. An accountability system based on performance standards has two audiences with separate but overlapping needs:

(1) The Governance Perspective
The accountability system should provide a means for State Government to measure the effectiveness of workforce readiness programs and to identify the need for new programs or program improvement, restructuring, or termination.

(2) The Consumer Perspective
The accountability system should help decision makers at the customer level (individuals, their counselors, program administrators, employers) choose the best training programs from among the numerous offerings in each occupational area.

The workforce readiness system has three major components:

- *Occupational Education, which provides the skills necessary to perform particular jobs:*
- *Basic Skills Education, which provides fundamental literacy and math skills necessary to perform many jobs; and*
- *Career Guidance/Job-Finding Assistance, which helps individuals to find jobs appropriate to their skills and interests.*

Policy makers and consumers need information about all three components, but their information needs are not identical. In particular, policy makers must be able to compare program outcomes across components. Consumers will focus on the components separately, and their primary need for comparative information lies in the Occupational Education component.

The Workforce Readiness Accountability System will address all three components and serve the needs of both policy makers and consumers.

In addition to the programs listed in the Guide, the SETC will also compile this performance date for secondary vocational programs and JTPA-funded occupational education programs.

The Governance Perspective: Accountability and Policy Guidance

The Workforce Readiness Accountability System will provide a means for State Government to measure the effectiveness of workforce readiness programs and to identify the need for new programs or program improvement, restructuring, or termination. Ultimately, the SETC will have the capability to compare the performance of different employment, training, and education program outcomes, both from a State perspective and with a national context.

The accountability system will be developed incrementally. The first task, to be accomplished in Fiscal Year 92, is to identify the programs that will be the focus of the system and to specify the measures that will be used to judge the performance of each of those programs.

The identification of programs to be governed by the accountability system involves two stages. First, the state-level programs to be covered will be selected. Then the SETC will decide at what levels to evaluate the performance of those programs. Some will be measured at the state level, while others will track performance within substate areas. Similarly, comprehensive programs that provide various services (occupational education, remedial skills, job search assistance) will be evaluated by service.

In its first year, the accountability system will concentrate on the following programs:

- Basic Skills Education
- Secondary Vocational Education
- Adult Vocational Education
- College-level Occupational Education
- Proprietary Vocational Schools
- Job Training Partnership Act Programs
- Job Corps
- Vocational Rehabilitation
- Employment Service
- JOBS/REACH

In choosing a set of measures to evaluate program performance, the SETC will concentrate on three factors:

(1) Program Outcomes
(2) Cost-Effectiveness
(3) Equity of Service

Program Outcomes will generally be evaluated according to two measures: the average improvement in earnings from pre- to postprogram intervention, and the average duration of employment of people served by the program. The return on the public's investment in the various programs will be assessed by measuring program cost per positive outcome to determine Cost-Effectiveness. (Positive outcome will be defined according to the Program Outcomes measures noted above.) Equity of Service measures will test each program's level of service to the population or populations it was designed to benefit.

Once the SETC begins collecting performance data, it will then estabalish performance standards based on comparisons between similar programs. At first, that will require grouping programs that serve similar populations in similar economic environments. Eventually, the SETC will be able to develop statistical models that will permit comparisons between programs serving very different populations.

The Consumer Perspective: Accountability and Consumer Empowerment

An accountability system can also help consumers to make wise choices from among the many employment and training services, and particularly occupational education programs, available to them. A well-informed public making careful decisions will provide a major impetus for improvement in those programs.

To create that well-informed public, the SETC will have published annually a *Guide to Occupational Education Programs in New Jersey*. The Guide will provide accurate, timely information about the availability and quality of occupational education programs, and will also include a directory of career guidance and job-search assistance programs.

The first edition of the guide, to be published in early 1992, will provide basic information (including program length, tuition, and financial aid) about adult and postsecondary programs offered by high schools, colleges, and proprietary schools. Future editions will include more detailed information and ultimately carry the following performance measures for each occupational education program:

(1) Completion Rate
(2) Placement Rate
(3) Weekly Earnings
(4) Employment Duration

Hispanics and Wage Inequality in New York City

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This paper will be published as a chapter in the forthcoming book,
Latinos in New York: Identity, Culture, and Public Policy
in the Metropolitan Area, *edited by Gabriel Haslip-Viera and Sherri L. Baver.*
It was used as a basis for remarks made by Dr. Meléndez at the workshop
on employment held at the 1991 NPRC Annual Conference and Membership
Meeting. It is printed in advance with permission.

Executive Summary

This paper is an explanation of the factors contributing to inequality between the wages of Hispanics and non-Hispanic whites in New York City. Understanding this is important for many reasons:

- Hispanics are one of the fastest growing groups in U.S. labor markets. According to the Bureau of the Census, the Hispanic population of the United States grew from 14.6 mlllion in 1980 to 19.4 million in 1988, or from 6.45% of the total population to 8.6%.

- During the same period, the percentage of Hispanics among all employed persons increased from 5.59 to 7.06. These figures represent a population rate of growth five times as high, and an employment rate of growth three times as high, as the average for the rest of the population.

- Hispanics are also highly concentrated in a few regional labor markets. In 1988 the four states with the largest Hispanic populations were California (33.9%), Texas (21.3%), New York (10.9%), and Florida (7.6%); these states accounted for 73.7% of all Hispanics in the United States.

In many ways, the incorporation of Hispanics into labor markets represents a new situation that remains to be fully understood. Persistent wage inequality may be signaling that the experience of Hispanic workers in labor markets is not similar or comparable to that of previous immigrants.

To the extent that differences in human capital explain most variations in earnings, corrective policies should emphasize workers' education and training. However, the institutional context in which Hispanic workers are situated in labor markets may play a very important role in inducing divergence in labor market outcomes.

This analysis has found that:

- Labor market segmentation explains a substantial proportion of Hispanics' wage differences. The overall proportion of the observed wage difference explained by primary segment location is between 16% and 19% for Hispanic men and between 36% and 58% for Hispanic women. Most of the effects of segmentation are attributable to underrepresentation in control or professional and technical subsegments.

- The effect of disrimination is very significant for Hispanics and it explains most of black men's wage gap. Discrimination accounts for two-thirds of the wage gap for black, one-half for Other Hispanic, and one-third for Mexican, Puerto Rican, and Cuban men. Considering that black women have the smallest observed wage difference ($0.40), black women's earnings are not substantially affected by discrimination; however, discrimination represents between one-fifth and one-half of Hispanic women's wage gap.

- Education is the single most important factor explaining earning differentials for all groups of men and women except for blacks and Other Hispanic men. The portion of the wage gap explained by differences in education, however, varies greatly among ethnic groups. In consideration of differences in both education and experience, human capital variables explain between one-fourth and one-half of ethnic men's wage differences and eliminate or reduce by more than half ethnic women's wage differences.

- The combined effect of demand-side factors—segmentation and discrimination—accounts for half of Hispanic men's wage differences, between 55% and 82% of Hispanic women's, 77% of black men's, and 75% of black women's. Thus, demand-side factors account for a substantial portion of black and Hispanic wage differences relative to non-Hispanic white workers.

These effects are significant even after controlling for differences in education and immigrant background between whites (the high wage reference group) and Hispanics. The relative importance of demand-side factors, however, varies among

Hispanic groups and between men and women of similar ethnicity and race.

These findings indicate the need to implement policies aimed at correcting the problematic concentration of Hispanics in low-wage segments and at attacking discrimination. They also suggest the need for flexible policies that take into account gender differences and the particular barriers that affect Hispanics of different national origins.

Hispanics and Wage Inequality in New York City

I. Introduction

What factors determine wage differences among workers is the question that has attracted perhaps the most attention from labor economists and sociologists in the last decades, and for good reasons. Income is the most widely used variable for measuring relative socioeconomic status and economic change through time. If other sources of income are not included, annual income is the product of the wage rate times the amount of time worked. Like any other price in markets, wages serve as an allocation mechanism for labor across firms and industries as well as a distributional mechanism for the rewards of labor services.

Although the determinants of wage differences for blacks and women have received extensive attention in the literature, it is not until recently that substantial attention has been paid to the question of what determines wage differences for Hispanics.[1] This [paper] is concerned with how differences in education, immigrant characteristics, labor market segmentation, and racial or ethnic discrimination explain wage differences among white, black, and Hispanic workers in New York City.[2]

Understanding the factors contributing to Hispanics' wage inequality is important for many reasons. Hispanics are one of the fastest growing groups in United States labor markets. According to the Bureau of the Census, the Hispanic population of the United States grew from 14.6 million in 1980 to 19.4 million in 1988, or from 6.45% of the total population to 8.6%. During the same period, the percentage of Hispanics among all employed persons increased from 5.59 to 7.06. These figures represent a population rate of growth five times as high, and an employment rate of growth three times as high, as the average for the rest of the population. Hispanics are also highly concentrated in a few regional labor markets. In 1988 the four states with the largest Hispanic populations were California (33.9%), Texas (21.3%), New York (10.9%), and Florida (7.6%); these states accounted for 73.7% of all Hispanics in the United States.[3]

In contrast to earlier immigrants, whose populations grew at a similar rate and whose primary language was not English, a large proportion of Hispanics are native workers, and Hispanics do not conform to existing notions of racial categories. In many ways, the incorporation of Hispanics into labor markets represents a new situation that remains to be fully understood. Persistent wage inequality may be signaling that the experience of Hispanic workers in labor markets is not similar or comparable to that of previous immigrants.

The assimilation of Hispanic workers into labor markets is a topic that has attracted much attention during the last decade. A common index of immigrants' socioeconomic progress and successful incorporation in their network environment is these workers' wage gains over time. Chiswick (1978) proposes that, over time, immigrants adapt their occupational skills, learn the new language, and become accustomed to a new labor market. Immigrants' productivity increases as they improve their human capital; i.e. education and country-specific experience. In turn, gains in productivity lead to wage gains over time. Indeed, the typical immigrant initially earns less than the native-born but "their earnings rise rapidly, particularly during their first few years in the country. After 10-15 years, their earnings equal and then exceed that of the native born." (Chiswick, 1978:920). However, Borjas (1982) found that there is a great disparity in wage gains over time among Hispanic males. While the pattern for Cubans and Central Americans conforms to that of previous immigrants, it takes 15 years for Mexicans and 25 years for Puerto Ricans to have statistically significant wage gains.[4]

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[1] I have decided to use "Hispanic" and not "Latino" for two reasons. First, Hispanic is the term most used in the labor market literature. Second, Hispanic is gender neutral and Latino is not. Trying to correct for the gender bias of "Latino" makes a more difficult reading of the essay.

[2] These are mutually exclusive categories. Hispanic refers to persons of Mexican, Puerto Rican, Cuban or other Spanish speaking-origin; white refers to non-Hispanic white, and black to non-Hispanic black persons.

[3] U.S. Bureau of the Census, ***The Hispanic Population in the United States: March 1988*** (Advanced Report).

This persistent divergence in labor market outcomes is not confined to Hispanics of immigrant background. Recent studies (Bean and Tienda, 1987; Sandefur and Tienda, 1988) have found that socioeconomic inequality for all Hispanics has increased during the 1970s and 1980s, in patterns very similar to that of blacks. Carnoy, Daley, and Hinojosa (1989) suggest that labor market dynamics are perhaps more important than demographics, policy, or other factors influencing trends in socioeconomic divergence. In a study of the causes of family income inequality, using cross-sectional data from the 1976 Survey of Income and Education, Reimers (1984) concluded:

> **The most important single reason for lower family incomes of Hispanics and blacks than of white non-Hispanics is lower wage rates—especially for men, but also for Mexican and Cuban women—even after differences in age, education, and regional distribution are controlled.**

It is apparent from the previous discussion that understanding the relative importance of the different factors contributing to Hispanic wage inequality has both policy and political implications. To the extent that differences in human capital explain most variations in earnings, corrective policies should emphasize workers' education and training. In this light, it should be noted that a disproportionately large number of young workers among Hispanics give the impression that Hispanic workers are paid relatively lower wages than equally well-trained white workers, whereas in reality a significant proportion of the wage gap could be attributed simply to differences in the proportion of the Hispanic and white population that occupies each age cohort. Nevertheless, although the passage of time alone is likely to reduce wage inequality, labor market policies could help youth to gain access to jobs and experience. A significant proportion of wage differences could also be attributed to factors pertaining to Hispanics' immigrant background. In this case, English as a Second Language and other programs focusing on the adaptation of workers' skills to U.S. labor markets are likely to be very effective.

However, the institutional context in which Hispanic workers are situated in labor markets may play a very important role in inducing divergence in labor market outcomes. The industrial and occupational distribution of Hispanics, together with employers' ethnic discrimination, could induce a tendency to undervalue Hispanics' productivity in labor markets. Labor market segmentation exists when a different set of rules and institutional arrangements determines labor market outcomes for distinct groups of workers such as racial and ethnic minorities. Hispanic workers may be adversely affected by hiring and promotion practices that are characteristic of secondary labor markets. As race is a basis for discrimination against blacks, various ethnic traits could be the basis of employers' discrimination against Hispanic workers. Thus, wage inequality could be attributed to barriers that prevent Hispanics' access to good jobs. Removing barriers on the demand side of the market requires a different set of policies, such as affirmative action and pay equity, from those that focus on workers' human capital or immigrant background. Such policies, in turn, require political action to make them viable at state and city levels.

The rest of this [paper] is an examination of the determinants of Hispanic wage differences in New York City. The first section deals with income inequality in New York City. There follows a brief summary of the main arguments regarding the determinants of Hispanics' wage differences, then a detailed analysis of the factors contributing to wage inequality and an assessment of their relative importance. The [paper] ends with a discussion of some policy implications.

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[4] Borjas' findings are based on the *Survey of Income and Education*, U.S. Bureau of the Census, 1970. In a more recent study using 1980 census data, Frank Bean and Marta Tienda (1987) found similar discrepancies in the earnings of Central Americans and Mexicans.

II. Income Inequality in New York City

Understanding wage inequality has become increasingly important in New York City. A traditional entry port for immigrants, the city has experienced a rapidly changing demographic composition and a rising demand for specialized white collar and unskilled service workers. Both factors are inducing a rapid polarization of income and a concentration of disadvantaged workers in the city, a significant proportion of whom are of Hispanic origin. (Sassen-Koob, 1986). A study by the Community Service Society (Stafford, 1985) attributes growing underrepresentation of blacks, Hispanics, and women in New York City's core industries and jobs to the combined effects of industrial restructuring and labor segmentation. If indeed exclusion from good jobs disproportionately affects minority workers, ongoing changes in the demand for labor could lead to increasing income inequality.[5]

Table 1 (tables begin on page 56) summarizes the distribution of persons by household income and by race and ethnicity for New York City in 1979. Blacks and Hispanics are concentrated at the lower end of the income distribution. In 1979, 41% of blacks and 46% of Hispanics lived in households with less than $9,999 yearly income, while only 24% of whites were below that level.[6] Whites are evenly distributed across the four specified income categories, and the $20,000 cutoff divides the white population by half. In contrast, only 30% of blacks and 23.2% of Hispanics lived in households with annual incomes of $20,000 or more. Income distribution is also very unequal within the total Hispanic population. While only 18% of Puerto Ricans lived in households with $20,000 income or more, 43% of Cubans were in the upper-income categories.

The index of income dissimilarity indicates the percentage of individuals in each minority group who would have to change income categories in order for the group to achieve a similar income distribution to that of whites. The index of income dissimilarity is a measure of black and Hispanic relative income inequality with respect to whites. In 1979, 21% of blacks and 28% of Hispanics would have had to change income categories to achieve income distribution parity with whites. The Hispanic average reflects the high concentration of the largest Hispanic groups, Puerto Ricans and Other Hispanics, at the lower end of the distribution.[7] Cubans have a very similar distribution of income to that of whites; Puerto Ricans have the most dissimilar. Mexicans and Other Hispanics are slightly worse off than blacks but their distribution of income is closer to blacks than to Puerto Ricans or Cubans.

An alternative way to look at racial and ethnic income inequality is at the family level. **Table 2** presents family income and poverty data by race and ethnicity for New York City in 1979. In this table, median family income is higher for whites ($21,515) and Cubans ($17,155) than for all the other groups. Blacks, Mexican, and Other Hispanics have median family income of around $12,000 a year, and Puerto Ricans are at the bottom with $8,705. Income stratification is also reflected in the percentage of families in poverty: Puerto Ricans have the highest family poverty rate, whites and Cubans the lowest. Families headed by women are disproportionately represented among the poor. Average family poverty rates range from 7% for white families to 41% for Puerto Ricans, while poverty rates for female-headed families range from 35% for whites to 74% for blacks.

These patterns of Hispanics' income distribution and poverty are directly related to their relative low earnings. Other factors such as comparative percentages of labor force participation, full-time employment, and unemployment are also very important in determining annual earnings. To control for the influence of these employment-related factors, average hourly wages have been estimated only for workers with positive earnings.

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[5] My argument in this chapter is based on cross-sectional data from the 1980 Census. It is not intended to measure trends, but it provides a detailed account of the relative effect of labor market location on different groups of workers at one point in time.

[6] The argument that follows is based on an analysis of 1980 Census data, by now more than a decade old. Unfortunately, census data are the only reliable available source examining small population subgroups such as Puerto Ricans and Cubans. Until the 1990 Census data are available, researchers must base their analysis on 1980 Census data.

[7] The Other Hispanics category includes all persons of Hispanic origin not previously classified as Mexican, Puerto Rican, or Cuban. Persons born in the Dominican Republic constitute the largest group, representing 25% of other Hispanics.

Hourly wages in New York City are stratified along race, sex, and ethnic lines. For each dollar earned by white men (**Table 3**), black men earned 75 cents. For most Hispanic men the ratio was even smaller: Mexicans, 70 cents; Puerto Ricans, 70 cents: and Other Hispanics, 67 cents. Among all Hispanic men, Cubans had the highest ratio of earnings: 85 cents for each dollar earned by white men. Black women earned almost as much as white women: 91 cents per dollar. Hispanic women earned relatively more compared to white women than Hispanic men earned relative to white men, but a wide wage gap between Hispanic and white women persisted. Mexican, Puerto Rican, and Other Hispanic women earned 80 cents or less, Cuban women 90 cents, for each dollar earned by white women. The hourly wage data also show that, for any given ethnic or racial background, women earned less than men. White, black, and Hispanic women earned substantially less than white, black, and Hispanic men respectively.

III. Factors Contributing to Hispanics' Wage Differences

The factors determining differences in hourly wages can be broadly categorized as supply- or demand-side. Supply-side factors pertain to the quality and quantity of labor offered, as determined for example by education, experience, English proficiency, and the presence of preschool children. Demand-side factors include employers' hiring, promotion, and employment practices as well as employers' size and product market power, and the presence of unions and other institutions affecting these practices. The interaction of demand- and supply-side factors, sometimes influenced by government policies, determines wages and other labor market outcomes such as employment stability, career paths, and industrial and occupational distribution. Within this context, human capital and immigrant background are the variables that affect the supply side of labor markets; segmentation and discrimination affect the demand side. Other things being equal, the more productive workers are, the higher their hourly wages; the more highly concentrated a group is in secondary labor markets and the higher the racial or ethnic discrimination in those markets, the lower that group's hourly wages.

Research on Hispanics' earnings has focused on two main and related questions. First, to what extent can earnings differences be attributed to Hispanics' endowment of human capital or their immigrant background? Second, to what extent is discrimination against Hispanics a critical determinant of earnings? Most researchers base their analysis on a human capital model in which years of schooling and postschool experience are the most important variables affecting productivity (a variable that itself is very difficult to be measured directly.) Since a significant proportion of Hispanics are foreign-born, the problem of immigrant background has attracted considerable attention as well. Variables such as foreign birth, English proficiency, length of time in the host country, and nationality are often included in the analysis. Such factors affect workers' productivity to the extent that some skills and knowledge are not transferable across national, cultural, and language boundaries. Discrimination on the basis of race or ethnicity is indicated, then, simply by unexplained difference in wages between groups of workers after controlling for the relative influence of all other factors.

Although empirical findings based on either the immigrant or the extended human capital model vary significantly, there are some clear areas of consensus and disagreement among researchers. The most important finding is that, in contrast to the discrimination that affects the earnings of black men, differences in education and other measurable characteristics are the most important factors explaining Hispanics' wage differences (Stolzenberg, 1982; Cotton, 1985; Hirshman and Wong, 1984). This general statement, however, has been qualified in some important ways. First, returns on education are generally lower for Hispanics than for whites and there are important variations among Hispanic groups (Reimers, 1983, 1985; Gwartney and Long, 1978; Kalacheck and Raines, 1976; Long, 1977). According to Reimers, for example:

> **All Hispanic groups have lower returns to education than Anglo men. Their returns range from 3.4% higher wages per grade for Other Hispanics to 4.5% for Mexican, whereas Anglo men earn 6.1% more for each additional grade of school completed (1985:41).**

A second qualification, although more important in explaining blacks' lower wages, is that discrimination significantly affects some Hispanic groups, particularly Mexicans and Puerto Ricans (Verdugo and Verdugo, 1984; Tienda, 1983; Carliner, 1976; Poston, Alvirez and Tienda, 1976; Reimers; 1983). Citing again from Reimers:

> **Discrimination in the labor market may be responsible for a wage differential, compared to Non-Hispanic white men, of 18% for Puerto Rican men, 14% for black men, and 12% for Other Hispanic men, but only 6% for Mexican men. (Reimers 1985:55)**

Thus, these variations in the effects of discrimination and other factors have induced researchers to avoid lumping Hispanics into a single category but to conduct their analyses taking into account the national origin of different Hispanic groups.

Empirical findings regarding the effects of immigrant background on Hispanic earnings are less conclusive. For example, some researchers have attributed one-third to one-half of the wage gap to lack of English language proficiency (McManus, Gould, and Welch, 1983; McManus, 1985; Grenier, 1984). Others have found the effects of language proficiency to be relatively small, accounting for less than 10% of the wage difference. (Garcia, 1984; Reimers, 1982, 1983, 1984). The effects of English fluency also show wide variation among Hispanic groups.

IV. Hispanics and Segmentation

While it is true that the question of how earnings are affected by labor market structures or segmentation has received extensive attention, relatively little research directly addresses Hispanics. Segmentation theorists reject the implicit assumption that labor markets are essentially competitive in nature and that labor market forces tend to eliminate wage and employment differences in the long run. Several different segmentation theories were examined, and the organization of the data and the following explanation are based on the Gordon-Edwards-Reich model. (Edwards, 1979; Gordon, 1971; Gordon, Edwards, and Reich, 1982; Reich, 1984; Reich, Gordon, and Edwards, 1973).

For segmentation theorists, labor markets are organized along occupational segments, although industrial sectors (core, periphery) are important to differentiate orders in the lower strata of occupations. Jobs in the primary labor market are divided between subordinated and independent segments, the difference being defined to a considerable extent by educational credentials and/or state regulation of the occupation. Jobs in the primary-independent segment offer clear paths for advancement and have a well-defined hierarchial structure. Administrators and managers, together with professional and technical workers who enjoy great autonomy in their work, such as engineers, scientists, college professors, and teachers, are included in this category. Jobs in the primary-subordinated segment tend to be unionized and to have machine-paced systems of labor control. In this segment educational requirements are lower, but the institutional organization of labor markets ensures relative job security and higher wages. Examples of occupations in the primary-subordinated segment include registered nurses, air traffic controllers, bank tellers, police and detectives, and operators in monopolistic industries.

By contrast, jobs in secondary segments require very little formal training and they depend on direct supervision. To the extent that there are barriers to workers' mobility, and to the extent that ascribed characteristics such as race, ethnicity, and gender are stratifying factors, there is a premium attached to labor market location. The crowding of given groups of workers along industrial and occupational categories and the ethnic, racial, and gender divisions of labor, which are conducive to divisions and conflict among workers, tend to lower wages and increase employment instability. Examples of secondary labor market jobs include messengers, child care workers, guards, and operators and laborers in competitive industries and small firms.

In sum, wages and other labor market outcomes result from the interaction of demand- and supply-side factors. From an analytical or practical point of view, observed wage differences say very little beyond signaling the existence of a problem. The real task is to assess the underlying causes of wage differentiation. An accurate estimation of the relative importance of supply-side (education, immigrant background) or demand-side (segmentation, discrimination) forces inducing wage inequality is the best guide for designing corrective policies and for assessing community strategies aimed at exerting pressure on the private and public sectors.

V. A Closer Look at Wage Inequality in New York City

Table 4 shows the distribution of highest educational level for individuals 25 years old and older. The percentage for blacks and Hispanics, with larger concentrations below the level of high school graduates and a small proportion at college educational levels or higher, have an asymmetrical structure when compared to those of whites. Proportionally, almost three times as many white men have college or higher education than do blacks and Hispanics, with the exception of Cubans, who have the highest proportion among Hispanic groups. Among white and black men the lowest proportion are without a high school education; among Hispanics, the highest. The distribution of educational attainment among Puerto Rican men is particularly low; this group has the highest proportion without a high school diploma and the lowest proportion with education at college level or above.

Hispanic women are in a similar situation to Hispanic men: a very high proportion without a high school diploma, very few with college degrees. However, among white women a lower proportion have college degrees than do white men, and a much higher proportion lack a high school diploma. In contrast, Hispanic women are not at a great disadvantage when compared to Hispanic men. Again, the statistics for Puerto Rican women are noticeable for an extremely low percentage of college graduates and an extremely high percentage without a high school diploma.

The disproportionate number of immigrants among Hispanic groups could be an important factor explaining income differences. The majority of Puerto Ricans (50.6%), Cubans (76.2%), and Other Hispanics (68.3%) are immigrants (**Table 5**). Almost all native Puerto Rican, Cuban, and Other Hispanics were born in New York State. Of the foreign-born, Other Hispanics, Dominicans, and Central Americans constitute the largest group. This high proportion of foreign born among Hispanic groups is reflected in a high number of Hispanics who are not fluent in English. **Table 6** shows that between one-fifth and one-third of Hispanics speak English poorly or not at all. Puerto Ricans and Mexicans have the lowest proportion of those who are not fluent (21.1% and 21.8% respectively), while Other Hispanics and Cubans have the highest proportions (34.4% and 29.4% respectively).

Table 7 shows the distribution of ethnic groups by segments. The immense majority of blacks, Hispanics, and white women are concentrated in low-wage occupational segments. A majority of Hispanic men occupy the secondary segment, while a majority of Hispanic women occupy the primary subordinated segment. The proportion of black and Hispanic men in primary subordinated and secondary segments ranges between 60.6% for Cuban to 70.9% for Puerto Ricans. Women are even more concentrated in these low-wage occupations: the proportion of women ranges from 66.8% of whites to 86.0% of Other Hispanics. The majority of white men are concentrated in the categories of managers and supervisors, and professional and technical categories; white women are concentrated in the primary subordinated segment. Thus, the segment location data reveal that whites are overrepresented in the upper tier of labor markets in New York City, while blacks and Hispanics are concentrated in low-wage jobs.

VI. Decomposition of the Wage Gap

The above analysis suggests that all of the key factors reviewed are likely to be determinants of wage differences between Hispanics and non-Hispanic whites and black workers. The question is to what degree does each factor contribute to the observed wage differences.

Labor market analysts use regression analysis to determine the relative effect of a given variable on wages, assuming that the remaining explanatory variables are held constant. For example, the regression coefficient for education could be interpreted as the estimated gains for one additional year of schooling, assuming that labor market experience, immigrant and socioeconomic background, and other factors remain constant. Microdata from the 1980 Census (5% sample) were used to estimate wage equations for white, black, and Hispanic salaried workers 16 to 65 years old with positive earnings in New York City.[8] These equations were used to decompose wage differences into portions attributable to education, immigrant background, primary segment location, and the residual or unexplained wage differences is then attributed to discrimination.[9]

Table 8 depicts the results of the experiment. For analytical convenience, the explained effect is divided into partial sums corresponding to education, immigrant background, and segmentation and expressed as a percentage of the observed wage difference.[10] The most important points are summarized as follows:

1. *Labor market segmentation explains a substantial proportion of Hispanics' wage differences.* The overall proportion of the observed wage difference explained by primary segment location is between 16% and 19% for Hispanic men and between 36% and 58% for Hispanic women. Most of the effects of segmentation are attributable to underrepresentation in control or professional and technical subsegments.

2. *Differences in measurable characteristics explain most of the wage gap for Hispanic men and women, but the effect of discrimination is very significant for Hispanics, and it explains most of black men's wage gap.* Discrimination accounts for over one-half of the wage gap for black, one-half for Other Hispanic, and one-third for Mexican, Puerto Rican, and Cuban men. Considering that black women have the smallest observed wage difference ($0.40), black women's earnings are not substantially affected by discrimination; however, discrimination represents between one-fifth and one-half of Hispanic women's wage gap.

3. *Education is the single most important factor explaining earning differentials for all groups of men and women except for black and Other Hispanic men.* The portion of the wage gap explained by differences in education, however, varies greatly among ethnic groups. In consideration of differences in both education and experience, human capital variables explain between one-fourth and one-half of ethnic men's wage differences and eliminate or reduce by more than half ethnic women's wage differences.

The combined effect of demand-side factors—segmentation and discrimination—accounts for half of Hispanic men's wage differences, between 55% 82% of Hispanic women's, 77% of black men's, and 75% of black women's. Thus, demand-side factors account for a substantial portion of black and Hispanic wage differences relative to non-Hispanic white workers. These effects are significant even after controlling for differences in education and immigrant background between whites (the high wage reference group) and Hispanics. The relative importance of demand-side factors, however, varies among Hispanic groups and between men and women of similar ethnicity and race.

These findings indicate the need to implement policies aimed at correcting the problematic concentration of Hispanics in low-wage segments and at attacking discrimination. They also suggest the need for flexible policies that take into account gender differences and the particular barriers that affect Hispanics of different national origins.

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[8] To save on computational cost, a subsample corresponding to 1% of the population has been included for whites and blacks. Variable definitions, regression coefficients, and means are available from the author upon request.

[9] A detailed explanation of the statistical technique employed in the analysis of wage differences as well as tables reporting all the results are available from the author upon request.

[10] Additional variables were included to control for postschooling experiences, socioeconomic background (marital status, presence of school-aged children in the family, veteran or not veteran status, and mobility to work because of health problems), and government employment (federal, state, and local).

VII. Policy Implications

The analysis of wage differences is consistent with emphasizing the need for more active public and civic intervention in the demand side of labor markets in New York City. Previous research on Hispanic earnings has focused on supply-side factors (human capital, immigrant background) and therefore has emphasized policies pertaining to the adaptation of Hispanic immigrants in labor markets. This immigrant approach assumes a significantly competitive labor market in which wage inequality based on differences in workers' attributes will disappear with time. To the extent that public policy accelerates their adaptation in labor markets, Hispanics, like European immigrants in previous decades, will achieve income parity.

The optimistic outlook related in the immigrant approach to Hispanics' situation in labor markets is tempered by the evidence. The analysis presented in this chapter indicates that demand-side factors play an important role in explaining wage inequality in New York City. Thus follows the need to pursue both supply- and demand-side policies as complementary strategies to increase blacks', Hispanics', and white women's earnings. As is made clear in policy recommendations from previous studies, promoting education and training opportunities to increase Hispanics' skills, language fluency, and country-specific experience are important. These conventional policy recommendations, however, are bound to stop short of correcting employers' discriminatory hiring, compensation, and promotion practices.

Employers' discriminatory valuation of workers' productivity in labor markets can be remedied by affirmative action and pay equity policies. Affirmative action promotes equal treatment of minority workers in hiring, promotion, and employment security. Hispanics and blacks are extremely underrepresented in the upper tier of primary segments. Affirmative action promotes the mobility of workers from secondary jobs to good jobs with higher earnings, employment stability, and more advancement opportunities. Pay equity promotes the equal valuation of jobs in which minority workers are concentrated. Rather than offering "access" to "good" jobs–as affirmative action proposes–pay equity aims at transforming a poor job into a good job. Pay equity is a necessary policy when the concentration of minorities or women in a particular job is the main factor inducing the undervaluation of workers' productivity.

Conventional wisdom is that supply-side policies are more politically viable than demand-side policies, to the extent that the latter are perceived as promoting preferential treatment for minorities. The truth is that demand-side policies will benefit the majority of workers in New York City. To the extent that monetary gains represent workers' invested interest in alternative policy scenarios, there are reasonable conditions for a multiracial and multiethnic alliance behind affirmative action and pay equity. Hispanic men and women are among those who will benefit the most from these policies.

TABLE I
Distribution of Persons by Household Income
New York City, 1979

	White	Black	All Hispanic	Mexican	Puerto Rican	Cuban	Other Hispanic
Total Persons (000)	3,687	1,702	1,410	24	864	68	473
Income							
Less than $9,999	23.6	40.7	46.4	39.9	52.4	27.0	36.7
$10,000 to $19,999	25.8	29.6	30.5	33.4	29.3	30.2	35.2
$20,000 to $29,999	23.1	17.2	14.6	12.6	12.5	22.8	17.3
$30,000 and Over	27.6	12.5	8.4	12.6	5.9	20.0	10.8
Index of Dissimilarity(a)	—	20.95	27.85	24.70	32.30	7.85	22.55

(a) Indicates the percentage of persons that would have to move from income categories to achieve income distribution parity with whites.

Source: 1980 Census, 5% Public Use Microdata Sample. Tables compiled by the Center for Puerto Rican Studies, Hunter College, City University of New York.

TABLE II
Family Income and Poverty
New York City, 1979

	White	Black	Mexican	Puerto Rican	Cuban	Other Hispanic
Total Families	955,040	402,740	4,520	213,880	18,760	111,380
Median Family Income ($)	21,515	12,210	12,575	8,705	17,155	12,435
Mean Family Income ($)	24,747	15,103	15,614	11,266	19,198	14,682
% Family in Poverty	7.0	23.7	22.6	41.4	13.6	26.0
% Female-Headed Families (as percentage of families in poverty)	35.3	73.7	51.0	71.0	43.8	60.9

Source: 1980 Census, 5% Public Use Microdata Sample. Tables compiled by the Center for Puerto Rican Studies, Hunter College, City University of New York.

TABLE III
Observed Hourly Wages(a)
New York City, 1979

	White	Black	Mexican	Puerto Rican	Cuban	Other Hispanic
Men	8.83	6.60	6.20	6.17	7.47	5.96
Women	6.90	6.27	4.71	5.57	6.20	4.90

Ethnic to White Ratio(b)

	White	Black	Mexican	Puerto Rican	Cuban	Other Hispanic
Men	–	0.75	0.70	0.70	0.85	0.67
Women	–	0.91	0.68	0.81	0.90	0.71

(a) Workers with positive earnings, ages 16 to 65, are included in the sample. Data for whites and blacks are based on a subsample of cases. See text for explanation.

(b) Observed hourly wages ratio = Wl/Wh, where l refers to the low-income group (blacks and Hispanics) and h refers to the high-income group (whites).

Sources: 1980 Census, 5% Public Use Microdata Sample.

TABLE IV

Percentage Distribution of Population by Highest Educational Level New York City, 1979(a)

	White	Black	Mexican	Puerto Rican	Cuban	Other Hispanic
MEN						
Total Persons	1,202,140	379,220	5,600	171,900	22,000	108,740
8 Years or Less	7.35	7.15	14.24	13.99	14.57	13.22
Some High School	6.47	9.13	8.51	11.61	5.97	8.19
High School Graduate	11.22	13.10	11.28	9.25	11.04	9.79
Some College	6.13	5.44	4.69	3.42	5.79	5.23
College or More	11.55	3.34	3.82	1.57	6.82	3.59
No School at All	0.52	0.41	1.74	0.82	0.47	0.83
Attending Now	1.80	2.63	4.34	1.82	2.22	2.79
WOMEN						
Total Persons	1,466,540	541,460	5,920	232,900	24,940	140,400
8 Years or Less	10.55	9.76	15.63	21.03	19.13	21.78
Some High School	7.86	13.59	9.38	14.26	6.39	8.94
High School Graduate	18.40	19.76	12.67	12.66	13.08	13.17
Some College	6.01	6.85	4.17	3.65	5.24	4.31
College or More	8.99	3.93	3.65	1.29	5.75	3.22
No School at All	0.96	0.54	1.56	2.04	0.94	1.66
Attending Now	2.18	4.39	4.34	2.61	2.60	3.31

(a) Individuals 25 years and older.

Source: 1980 Census, 5% Public Use Microdata Sample. Tables compiled by Center for Puerto Rican Studies, Hunter College, City University of New York.

TABLE V
Ethnic and Racial Groups' Nativity
New York City, 1980

	White	Black	Mexican	Puerto Rican	Cuban	Other Hispanic
Number of Persons	3,686,600	1,701,880	24,040	863,900	67,900	473,320
U.S.-Born	74.72	80.94	60.89	49.37	23.83	31.73
Outside New York State	11.07	30.34	15.97	1.32	2.18	1.48
New York State	67.65	50.60	44.84	48.05	21.65	30.25
Foreign-Born from Selected Countries	21.28	19.06	39.19	50.63	76.17	68.27
Mexico	–	–	28.04	–	–	–
Puerto Rico	–	–	–	47.07	–	–
Cuba	–	–	–	–	69.72	–
Dominican Republic	–	–	–	–	–	24.77
Central America	-	–	–	–	–	8.80
Colombia	–	–	–	–	–	8.41
Ecuador	–	–	–	–	–	8.04
Panama	–	–	–	–	–	2.75
Peru	–	–	–	–	–	2.15

Source: 1980 Census, 5% Public Use Microdata Sample. Table compiled by the Center for Puerto Rican Studies, Hunter College, City University of New York.

TABLE VI

English Fluency by Ethnic and Racial Groups
New York City, 1980[a]

English Fluency	Non-Hispanic White	Non-Hispanic Black	Mexican	Puerto Rican	Cuban	Other Hispanic
Only English	74.86	92.88	35.73	8.96	10.47	10.38
Very Well	14.37	4.13	27.07	43.13	36.55	30.71
Well	7.00	2.1[illegible]	15.38	26.82	23.62	24.49
Not Well	3.01	0.74	12.71	15.25	19.52	21.33
No English	0.75	0.15	9.12	5.84	9.84	13.09

(a)All persons 3 years and over.

Source: 1980 Census, 5% Public Use Microdata Sample. Tables compiled by the Center for Puerto Rican Studies, Hunter College, New York City.

TABLE VII
Percentage Distribution of Racial and Ethnic Groups by Segment Location New York City, 1980(a)

Segment	White	Black	Mexican	Puerto Rican	Cuban	Other Hispanic
MEN						
Primary Independent						
Managers and Supervisors	21.8	10.9	14.9	10.7	19.6	11.0
Professional and Technical	16.7	7.3	5.2	5.6	9.8	6.6
Craft	12.9	11.8	14.1	12.8	10.0	14.7
Primary Subordinated	25.9	28.7	17.7	23.9	26.8	22.1
Secondary	22.7	41.3	48.1	47.0	33.8	45.6
WOMEN						
Primary Independent						
Managers and Supervisors	14.8	10.1	6.2	7.5	8.9	7.0
Professional and Technical	16.4	8.5	8.5	8.9	10.3	5.2
Craft	2.0	1.5	1.5	1.7	1.6	1.8
Primary Subordinated	51.7	52.8	43.1	47.5	44.3	36.9
Secondary	15.1	27.1	40.7	34.9	34.9	49.1

(a) Workers with positive earnings, ages 16 to 65, are included in the sample. Data for whites and blacks are based on a subsample of cases. See text for explanation.

Source: 1980 census, 5% Public Use Microdata Sample.

TABLE VIII
Estimated Effects of Education, Discrimination, and Segmentation[a]

	Black	Mexican	Puerto Rican	Cuban	Other Hispanic
MEN					
Observed Wage					
Difference ($)	2.23	2.63	2.66	1.36	2.87
Education (%)	25.7	42.6	41.9	51.1	33.5
Discrimination (%)	54.9	34.0	31.6	33.4	49.0
Segmentation (%)	21.9	15.9	18.9	16.4	15.9
WOMEN					
Observed Wage					
Difference ($)	0.63	2.19	1.33	0.70	2.00
Education (%)	68.4	38.8	42.1	45.6	39.9
Discrimination (%)	-6.2	23.1	25.1	24.5	18.4
Segmentation (%)	81.7	37.8	36.1	57.7	41.9

[a] Total effect may not add to 100% because the effect of other variables affecting wage differences are not included in the table.

Source: Author's estimates based on 1980 census data. See text for explanation.

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